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UNIFORM SYSTEM OF ACCOUNTS FOR CARRIERS BY AIR

First Issue - - Approved July 1, 1930

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UNITED STATES POST OFFICE DEPARTMENT
SECOND ASSISTANT POSTMASTER GENERAL
DIVISION OF AIR MAIL SERVICE

UNIFORM SYSTEM OF ACCOUNTS
FOR
CARRIERS BY AIR

PRESCRIBED BY THE POST OFFICE DEPARTMENT
FOR AIR MAIL CARRIERS

FIRST ISSUE
Approved July 1, 1930

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CONTENTS

	Page
Order of the Second Assistant Postmaster General	IV
Introductory letter	V
Classification of operating revenues:	
Table of contents	VII
Special instructions and definitions	1
Text pertaining to operating revenue accounts	3
Classification of operating expense accounts:	
Table of contents	7
Special instructions and definitions	11
Text pertaining to operating expense accounts	19
Classification of income accounts:	
Table of contents and form of income statement	47, 49
Special instructions and definitions	51
Text pertaining to income accounts	53
Classification of profit and loss accounts:	
Table of contents and form of profit and loss statement	59
Special instructions and definitions	61
Text pertaining to profit and loss accounts	63
Classification of balance-sheet accounts:	
Table of contents and form of balance-sheet statement	68–69
Special instructions and definitions	71
Text pertaining to balance-sheet accounts	75
Classification of real property and equipment accounts:	
Table of contents	89
Special instructions and definitions	91
Text pertaining to real property and equipment accounts	97

OFFICE OF THE SECOND ASSISTANT POSTMASTER GENERAL

POST OFFICE DEPARTMENT,
Washington, July 1, 1930.

The system of accounts and the instructions and rules herein promulgated are issued under authority of an act of Congress approved the 2d day of February, 1925, entitled "An act to encourage commercial aviation and to authorize the Postmaster General to contract for air mail service," as amended, and are for the information and guidance of air mail carriers and others concerned.

W. IRVING GLOVER,
Second Assistant Postmaster General.

INTRODUCTORY LETTER

POST OFFICE DEPARTMENT,
Washington, D. C., July 1, 1930.

To Accounting Officers of Air Mail Carriers:

The accounts under this system are for use by carriers of air mail and have been classified under six general divisions, namely, operating revenue accounts, operating expense accounts, income accounts, profit and loss accounts, balance-sheet accounts, and real property and equipment accounts. In each division the titles of the accounts are shown followed by the text relating thereto and, where necessary, explanatory notes and items are appended. Preceding the texts of the accounts in each division are special instructions or requirements relating to the accounts embraced in the division, definitions of certain technical terms and other explanatory matter. Particular attention is directed to these special instructions.

The numbers prefixed to account titles are solely for convenience of reference and are not parts of the titles or definitions.

Nothing contained in this system of accounts shall be construed as preventing any carrier from subdividing any account of this system of accounts in order to procure information desired for statistical or other purposes, *provided* that in so doing the integrity of the accounts prescribed is not impaired.

It is the intention that this system of accounts shall apply only to the investment in and the operations of the airway transportation line over which air mail service is authorized and to such other property as may be physically connected with such transportation line and operated in connection therewith. Where a carrier has investments in other property or is engaged in business or operations not involving the air mail transportation line, all such investments and the results attending such business or operations should be excluded from the carrier's accounts involving the air mail transportation line. Where, however, the carrier is a corporation, and it has investments which may be properly classifiable under general balance-sheet account No. 502, "Miscellaneous Physical Property," or No. 503, "Investments in Affiliated Companies," and it is more convenient and practicable to include such investments and the expenses in connection therewith and the income therefrom in the accounts for the transportation line and other property operated in connection therewith, this may be done, and appropriate accounts have been provided therefor. (See income accounts No. 306, "Net Income from Miscellaneous Physical Property," and No. 318, "Net Loss on Miscellaneous Physical Property.")

Where a carrier is engaged in other business, such as the manufacture of aircraft, aircraft engines or aircraft instruments or operates sales agencies for aircraft and accessories, or operates airway transportation lines for the purpose of carrying passengers or express and over which air mail service is not authorized, the investment in and the results of the operation of such other business or airway transportation lines shall be excluded from the accounts involving the air mail transportation line.

The accounting under this system of accounts shall begin as to each air mail carrier and each air mail transportation line as of July 1, 1930, or as soon

thereafter as is practicable, and so far as it is possible, the entries should be made and the accounts kept on a monthly basis. Books and accounts shall be closed as of June 30, following the beginning of accounting hereunder and annually thereafter as of June 30.

Each carrier shall so keep its general books of account and all other books, records, and memoranda which support in any way the entries in such accounting books that it can furnish at any time full information as to any account kept by it. Each entry to each account shall also be supported by such detailed information as will enable identification and verification of the facts recorded therein.

The books and records referred to herein not only include accounting records in a limited technical sense but all records, such as minute books, stock books, etc., which will be useful in developing the history of any of the carrier's transactions.

No carrier should destroy or otherwise dispose of any records which support entries to any of its real property and equipment accounts or any other records referred to herein which are necessary for an analysis of its accounts or in developing the history of its transactions.

All records referred to herein should be kept by the carrier where they will be reasonably protected from theft or from damage by fire, flood or otherwise, and where they will be readily accessible for inspection by the duly authorized representatives of the Post Office Department.

To the end that uniformity of accounts may be maintained from year to year, carriers shall submit all questions of doubtful interpretation of the accounting rules and instructions to the department for consideration and decision.

A. H. GILBERT, *Chief Accountant.*

Approved:

E. B. WADSWORTH, *Superintendent,*
Division of Air Mail Service.

CLASSIFICATION OF OPERATING REVENUE ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

		Page
SEC. 1.	Operating revenue accounts defined	1
2.	Delayed operating revenue items	1
3.	Schools and courses of instruction	2
4.	Miscellaneous operations	2
5.	Interpretation of item lists	2

GENERAL AND PRIMARY ACCOUNTS

I. TRANSPORTATION.		
101.	Passenger	3
102.	Express and freight	3
103.	Mail	4
104.	Excess baggage	4
105.	Other transportation	4
II. AIR SERVICE.		
110.	Special flights	4
111.	Other air service	5
III. INCIDENTAL.		
120.	Motor fuels and oils—Sales	5
121.	Repairs and service	5
122.	Buffet service—Revenue	5
123.	Hotels and restaurants	5
124.	Airport and other privileges	6
125.	Parcel room and storage	6
126.	Rents of buildings and other properties	6
127.	Miscellaneous	6

CLASSIFICATION OF OPERATING REVENUE ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

Section 1. Operating revenue accounts defined.—The accounts provided for operating revenues are designed to show amounts of money which a carrier becomes entitled to receive from transportation and from operations incident thereto.

(*a*) Credits to the revenue accounts shall as nearly as practicable be upon the basis of accruals of revenue.

(*b*) No charge shall be made against the accounts of this classification for amounts representing charges which for any cause are uncollected, the service for which the charge is made having been properly performed and individuals or companies being liable for the charges.

(*c*) Uncollectible charges against individuals and companies, representing charges for transportation service rendered for which such individuals and companies are liable, shall be charged to income account No. 305, "Uncollectible Revenues." This includes items such as charges where credit has been extended and the debtor becomes insolvent, and also uncollectible undercharges discovered after the service has been rendered.

(*d*) Uncollected charges on unclaimed and refused shipments of express or freight, such refused shipments having been transported in accordance with the contract of shipment, shall be charged to a suspense account, to which shall be credited, to the extent of the charges included therein, the proceeds derived from the sale of such unclaimed and refused express and freight. When the excess of the charges over the amount realized from the sale of the express or freight is found to be uncollectible, it shall be cleared to income account No. 305, "Uncollectible Revenues."

(*e*) When the amount realized from the sale of such unclaimed and refused express and freight exceeds the amount of the charges for the transportation thereof, the excess (if lawfully retained by the company) shall be credited to profit and loss account No. 405, "Miscellaneous Credits to Profit and Loss."

(*f*) The carrier's charges on lost, destroyed, or damaged shipments, for which charges neither consignees nor consignors are liable, shall be charged to the revenue accounts previously credited.

(*g*) Overcharges, when discovered, shall be credited to balance-sheet account No. 521, "Other Deferred Debits," and when found to be unrefundable shall be cleared to profit and loss account No. 405, "Miscellaneous Credits to Profit and Loss."

Sec. 2. Delayed operating revenue items.—The entries in the operating revenue accounts prescribed in this classification should, for a particular month or year, include so far as practicable all the revenues earned during such month or year. In case, however, a revenue item is not recorded in the accounts for the fiscal period to which it applies it should be included in the revenue accounts for the period in which the entry relating thereto is recorded, unless the amount of such item is relatively so large that its inclusion in the revenue accounts for a single accounting period would result in a seriously

abnormal statement of operating revenues, in which case such delayed item may be included in profit and loss. (See sec. 2 of special instructions relating to profit and loss accounts, p. 61.)

Sec. 3. Schools and courses of instruction.—When the carrier conducts schools or courses of instruction in connection with its transportation operations, the revenue incident to conducting such schools and courses of instruction shall be kept separate from other operating revenues and shown in accounts No. 110, "Special Flights," or No. 127, "Miscellaneous," as may be appropriate. It is desirable and will facilitate examination of the accounts if a separate set of accounts are kept that will show the detail of the revenues received from the operation of schools and courses of instruction.

Sec. 4. Miscellaneous operations.—The revenues from miscellaneous operations shall not be included in the accounts of this classification when the facilities used are distinct from those used by the carrier in the service of transportation or in the maintenance of facilities used in transportation service, and the operations are not incident to such service. This includes the operation of commercial gasoline and oil stations, repair and service stations, training schools, hotels, restaurants, lunch rooms, aircraft sales agencies, etc. (See income account No. 306, "Net Income from Miscellaneous Physical Property," and account No. 318, "Net Loss on Miscellaneous Physical Property.")

Sec. 5. Interpretation of item lists.—Lists of items to be credited and of items to be charged have been given as a part of the text of this classification for the purpose of clearly indicating the application of the accounting rules in specific cases. They are not to be considered as comprising all the items creditable or chargeable to the several accounts, but merely as representative, and not as excluding from any account analogous items which happen to be omitted from the list appended.

TEXT PERTAINING TO OPERATING REVENUE ACCOUNTS

I. TRANSPORTATION

The primary accounts included in this general account are designed to show amounts of money which the carrier becomes entitled to receive or which accrue to its benefit from service in transporting persons and property by aircraft.

101. PASSENGER.

This account shall include revenue from the transportation of passengers based upon tariff or published fares or charges for passengers so transported.

SPECIAL NOTE.—Appropriate subaccounts shall be established for (1) revenue from scheduled flights on which air mail is authorized; (2) scheduled exclusive passenger-carrying flights; (3) air-port sightseeing and taxi-service flights.

This account shall be credited with the following (see special instructions, sec. 5, p. 2):

(*a*) Revenue upon the basis of local tariff fares.

(*b*) The airway carrier's proportion of revenue upon the basis of through passenger fares.

(*c*) Revenue from passengers transported on short trip or "taxi" service.

(*d*) Revenue from berth, cabin, or stateroom accommodations furnished in aircraft on basis of rates for the space occupied.

(*e*) Revenue from transportation of corpses.

(*f*) Revenue from operation of auto busses for transportation of passengers to and from air ports when same is a part of the flight trip fare. (See account No. 105):

This account shall be charged with the following (see special instructions, sec. 5, p. 2):

(*a*) Amounts paid for transferring passengers and/or baggage between air ports or connecting rail transportation lines.

(*b*) Refunds of local tariff fares.

(*c*) Redemption of unused and partially used local passenger tickets.

(*d*) The airway carrier's proportion of redemptions of unused and partially unused through passenger tickets and refunds of through tariff fares.

(*e*) The airway carrier's proportion of overcharges resulting from the application in error of fares in excess of the established or tariff rates.

(*f*) Amounts paid to other carriers for transporting passengers in emergency cases.

102. EXPRESS AND FREIGHT.

This account shall include revenue from the transportation of express and freight, money, and valuables on basis of tariff or published rates.

This account shall be credited with the following (see special instructions, sec. 5, p. 2):

(*a*) Revenue from the carriage of express and freight upon the basis of local express and freight rates and charges.

(*b*) The airway carrier's proportion of revenue upon the basis of through express and freight tariff rates and charges.

This account shall be charged with the following (see special instructions, sec. 5, p. 2):

(*a*) Amounts paid as delivery charges or for transferring express and freight between air ports or connecting rail transportation lines.

(*b*) The airway carrier's proportion of overcharge resulting from the use of erroneous rates, weights, classifications, or computations.

(*c*) The airway carrier's proportion of refunds on account of errors in routing and billing.

(*d*) The airway carrier's proportion of uncollected revenue on express and freight lost or destroyed in transit.

(*e*) The airway carrier's proportion of uncollected charges on damaged shipments for which charges neither shipper or consignee is liable.

(*f*) Amounts paid to other carriers for transporting express and freight in emergency cases.

NOTE.—Other carriers' proportions of revenue paid by the carrier on express and freight lost or destroyed in transit shall be charged to operating expense account No. 227, "Loss and Damage."

103. MAIL.

This account shall include the revenue from the transportation of mail at established rates for specified routes and from the use of special mail facilities in aircraft.

This account shall be charged with fines and penalties imposed by the Government when not collected from the carrier's agents or employees.

104. EXCESS BAGGAGE.

This account shall include the revenue from the transportation of baggage in excess of the free allowances on the basis of excess baggage tariff rates or charges.

105. OTHER TRANSPORTATION.

This account shall include the revenue incident to the operation of transportation service not provided for in accounts Nos. 101, 102, 103, and 104.

This account shall be credited with the following (see special instructions, sec. 5, p. 2):

(*a*) Revenue from transportation of packages, newspapers, articles, dogs, etc., at other than express or excess baggage rates if not includable in accounts Nos. 102 or 104.

(*b*) Revenue from operation of auto busses for transportation of passengers to and from airports when same is not a part of flight trip fare. (See account No. 101, p. 3.)

II. AIR SERVICE

The primary accounts included in this general account are designed to show amounts of money which the carrier becomes entitled to receive or which accrue to its benefit for services of a special character which requires the use of aircraft and flying personnel.

110. SPECIAL FLIGHTS.

This account shall include all revenues received from use of aircraft, flying personnel and ground facilities for special flights not a part of regular transportation service and shall include charter trips, aerial photography trips, forest fire or other patrol service, dusting operations, seeding, timber cruising, advertising, flight instruction when same is not a part of, or is separable from, a training school course, and other special flights of like character, either on the basis of a rate per hour or per mile or a lump sum rate for use of aircraft, pilots, and other facilities. (See special instructions, sec. 4, p. 2.)

NOTE.—If flight instruction is included as part of a training course and the part of the tuition or fees paid representing flight instruction is not separable therefrom, the entire revenue from such courses of instruction shall be credited to account No. 127, "Miscellaneous."

111. OTHER AIR SERVICE.

This account shall include all revenues from services of a special character requiring use of aircraft, flying or ground personnel, and/or other facilities not provided for in account No. 110, such as hire of aircraft or personnel by another air carrier in cases of emergency, etc. (See special instructions, sec. 4, p. 2.)

III. INCIDENTAL

The primary accounts in this general account are designed to show the amounts which the carrier becomes entitled to receive from services rendered incidental to its flying operations and for the use of facilities for which the expenses of operation and maintenance are not separable from its general operating expenses, and from incidential sources not provided for elsewhere.

120. MOTOR FUELS AND OILS—SALES.

This account shall include all revenues received from sales of gasoline or other motor fuel, engine, motor vehicle, and other lubricating oils, greases, and compounds, when such sales are made from supplies maintained by the carrier for its use.

This account shall also include revenue from the sales of helium gas, hydrogen gas, or other lifting gas, when such sales are made from supplies maintained by the carrier for its use. (See special instructions, sec. 4, p. 2.)

121. REPAIRS AND SERVICE.

This account shall include all revenues received from rebuilding jobs and repairs made, parts furnished, and service of whatever character to aircraft or motor vehicles of others when the repairs are made in the repair shops or by employees of the carrier, the parts furnished are from stocks maintained by the carrier for use in its operations, and services so rendered in connection therewith are services rendered by employees of the carrier. This account shall also include revenue received as hangar rentals for transient storage of aircraft or motor vehicles. (See special instructions, sec. 4, p. 2.)

122. BUFFET SERVICE—REVENUE.

This account shall include the revenue from buffet service on aircraft when such service is operated by the carrier as a part of its transportation operations. (See special instructions, sec. 4, p. 2.)

This account shall be credited with the following (see special instructions, sec. 5, p. 2):

(*a*) Revenue from lunches and meals sold.

(*b*) Revenue from cigars, cigarettes, and tobacco sold.

(*c*) Revenue from sales of magazines, post cards, and other printed matter and souvenirs.

(*d*) Revenue from sales of chewing gum, candy, and other confections.

NOTE A.—When buffet service aboard aircraft is operated by individuals or companies other than the carrier, the revenue from such concession shall be included in revenue account No. 124, "Airport and Other Privileges."

NOTE B.—The expense of the operation of buffet service on aircraft shall be charged to operating expense account No. 254, "Buffet Service—Expense."

123. HOTELS AND RESTAURANTS.

This account shall include the revenue from hotels, restaurants, and lunch counters when such service is operated by the carrier as a part of its transportation operations. (See special instructions, sec. 4, p. 2.)

NOTE.—The expense of the operation of hotels and restaurants, the revenue from which is credited to this account, shall be charged to operating expense account No. 255, "Hotels and Restaurants."

124. AIR PORT AND OTHER PRIVILEGES.

This account shall include the revenue from weighing, vending, and other automatic machines located in administration or other air-port buildings; from advertising at administration or other air-port buildings and on aircraft; from the privilege or concession of operating news stands at administration or other airport buildings; and from selling papers, periodicals, fruit, etc., in and around such buildings; from telephone companies for the privilege of installing and operating commercial telephones at air-port buildings; from the operation of eating houses and from buffet service on aircraft when such operations are conducted by individuals or companies other than the carrier and when the expenses incurred by the carrier in connection therewith are not separable from its regular operating expenses; and from similar privileges and concessions. (See special instructions, sec. 4, p. 2.)

125. PARCEL ROOM AND STORAGE.

This account shall include the revenue from the operation of parcel rooms and from the storage of baggage and express and freight.

126. RENTS OF BUILDINGS AND OTHER PROPERTIES.

This account shall include the revenue from the exclusive or joint use by others of buildings and land, or portions thereof, and other property and equipment owned by the carrier including aircraft hired by others when such property is used in connection with the carrier's transportation operations and the expense of maintaining and operating the portion rented out can not be separated from the expense of the portion used by the carrier; also subrents received for property, the rent of which is included in operating expenses. Transient rentals of space in hangars will be credited to account No. 121—"Repairs and Service." (See special instructions, sec. 4, p. 2.)

NOTE.—When the expenses of maintaining and of operating property rented to others are separable, the rents received shall be credited and the expenses of maintenance and operation shall be charged to income account No. 311, "Miscellaneous Non-operating Income."

127. MISCELLANEOUS.

This account shall include revenues from operations not provided for elsewhere, such as training schools, aircraft or other sales agencies and from other sources not provided for in accounts Nos. 101 to 126, inclusive. This account shall also include revenue received as commission from sale of tickets of other carriers, etc.

When schools or courses of instructions are conducted as a component part of the carrier's transportation operations, the revenue received therefrom, except when same may be included in account No. 111, shall be included in this account. (See operating expense account No. 256, "Other Miscellaneous Operations Expenses.") (See special instructions, secs. 3 and 4, p. 2.)

CLASSIFICATION OF OPERATING EXPENSE ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

		Page
1.	Operating expenses defined	11
2.	Cost of repairs and maintenance	11
3.	Depreciation reserves	11
4.	Property retirements	13
5.	Insurance and salvage	14
6.	Rents paid	14
7.	Division of expense at terminals	14
8.	Passenger expenses	15
9.	Clearing accounts	15
10.	Unaudited bills and vouchers	16
11.	Delayed operating expense items	16
12.	Accruals of reserves for overhaul	16
13.	Schools and courses of instruction	16
14.	Miscellaneous operations	16
15.	Joint facility rents and expenses	17
16.	Interpretation of item lists	17

GENERAL AND PRIMARY ACCOUNTS

I. MAINTENANCE OF FIELDS, STRUCTURES, AND EQUIPMENT.

151.	Superintendence—Fields, structures, and equipment	19
152.	Field maintenance	19
153.	Aircraft—Repairs	20
154.	Aircraft—Depreciation	21
155.	Aircraft—Retirements	21
156.	Engines—Repairs	21
157.	Engines—Depreciation	21
158.	Engines—Retirements	21
159.	Aircraft communication equipment—Repairs	21
160.	Aircraft communication equipment—Depreciation	22
161.	Aircraft communication equipment—Retirements	22
162.	Airway communication equipment—Repairs	22
163.	Airway communication equipment—Depreciation	22
164.	Airway communication equipment—Retirements	22
165.	Hangar equipment—Repairs	23
166.	Hangar equipment—Depreciation	23
167.	Hangar equipment—Retirements	23
168.	Shop equipment—Repairs	23
169.	Shop equipment—Depreciation	24
170.	Shop equipment—Retirements	24
171.	Motorized vehicles—Repairs	24
172.	Motorized vehicles—Depreciation	25
173.	Motorized vehicles—Retirements	25
174.	Fuel, water, oil, and gas, storage and distribution equipment—Repairs	25

I. MAINTENANCE OF FIELDS, STRUCTURES, AND EQUIPMENT—Contd. Page

175. Fuel, water, oil, and gas, storage and distribution equipment—Depreciation 25
176. Fuel, water, oil, and gas, storage and distribution equipment—Retirements 25
177. Hangars—Repairs 25
178. Hangars—Depreciation and retirements 26
179. Buildings and appurtenances—Repairs 26
180. Buildings and appurtenances—Depreciation and retirements 27
181. Furniture and equipment—Repairs 27
182. Furniture and equipment—Depreciation and retirements 27
183. Other equipment—Repairs 28
184. Other equipment—Depreciation and retirements 28
185. Injuries to persons 28
186. Insurance 29
187. Stationery and printing 29
188. Maintenance of joint fields, structures, and equipment—Dr. 29
189. Maintenance of joint fields, structures, and equipment—Cr. 29
190. Other maintenance expenses 30

II. CONDUCTING TRANSPORTATION.

201. Superintendence—Transportation 30
202. Rents of fields and other property 31
203. Airport employees 31
204. Flying personnel 31
205. Flying personnel expenses 32
206. Interrupted trips—Expense 32
207. Fuel for engines 32
208. Oil for engines 33
209. Gas for airships 33
210. Water for aircraft 33
211. Aircraft communication operators and assistants 33
212. Aircraft communication supplies and expenses 33
213. Berth, cabin, and stateroom expenses 33
214. Passenger supplies and expenses 33
215. Aircraft supplies and expenses—Other 34
216. Hangar employees 34
217. Hangar supplies and expenses 34
218. Airway communication operators and assistants 35
219. Airway communication supplies and expenses 35
220. Motor vehicle supplies and expenses 35
221. Telegraph and telephone 35
222. Clearance and customs 35
223. Stationery and printing 36
224. Insurance 36
225. Clearing wrecks 36
226. Damage to property 37
227. Loss and damage 37
228. Injuries to persons 37
229. Operating joint fields, structures, and equipment—Dr. 38
230. Operating joint fields, structures, and equipment—Cr. 38
231. Other transportation expenses 38

III. TRAFFIC AND ADVERTISING. Page

241. Superintendence—Traffic 39
242. Advertising 39
243. Outside agencies 40
244. Stationery and printing 40
245. Postage 40
246. Other traffic expenses 40

IV. MISCELLANEOUS OPERATIONS.

251. Motor fuels and oils—Sales expense 41
252. Repairs and service—Expense 41
253. Special flights—Expense 41
254. Buffet service—Expense 41
255. Hotels and restaurants 41
256. Other miscellaneous operations expenses 42

V. GENERAL AND ADMINISTRATIVE.

261. Salaries and expenses of general officers 42
262. Salaries and expenses of general office employees 43
263. General office supplies and expenses 43
264. Law expenses—General 43
265. Insurance 44
266. Pensions and welfare 44
267. Stationery and printing 44
268. General joint facilities—Dr 45
269. General joint facilities—Cr 45
270. Other general office expenses 45

17339—31——2

CLASSIFICATION OF OPERATING EXPENSE ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

Section 1. Operating expenses defined.—The operating expenses of an air transportation company, as provided for in this classification, are the expenses incurred in furnishing transportation and other service for the public, including the cost of maintaining the property used in such services and shall be as nearly as practicable upon the accrual basis. (See special instructions, sec. 8, regarding operating expenses of scheduled exclusive passenger-carrying aircraft.)

Sec. 2. Cost of repairs and maintenance.—As used in the text of the various operating expense accounts, *cost of repairs* when made by other than the carrier shall include the actual cost with transportation and customs charges added, and when made by the carrier shall include the wages, salaries, and fees paid employees directly engaged in the work of repairs, the cost of materials and supplies consumed, and the cost of transportation and customs charges added when paid.

Amounts paid as rental for special instruments or equipment for experimental or test purposes shall be charged to the appropriate repair accounts. Royalties for patent rights on mechanical and scientific appliances used, including those used in repairs of other equipment, shall be included in the cost of repairs and charged to the appropriate repair accounts.

Maintenance includes such expenses necessary to maintain the tangible property of the carrier in a state of operating efficiency as do not result in a substantial change of identity of any particular unit of property. It includes the ordinary current daily, weekly, or monthly inspections, repairs, renewals, replacements, or overhauls of parts of identifiable units of physical property necessary to be made to keep the property in current operating condition, such as those due to minor accidents, breakage, wearing out of small appliances or parts thereof, and the cost of tests or inspections to determine whether repairs, renewals, adjustments, etc., are necessary; also the cost of restoring to an efficient and proper condition buildings, structures, or other units of property which have deteriorated or have been damaged by storms, floods, fire, or other casualties, and of recovering salvage and removing retired or abandoned property when such costs are not provided for by insurance or the depreciation reserve or other reserves. It does not include the cost of replacing structures, facilities, or units of equipment which have been retired from service. The cost of such replacements is chargeable to real property and equipment accounts. (See sec. 3, pars. (*e*) and (*f*), of special instructions relating to real property and equipment accounts, p. 93.)

Sec. 3. Depreciation reserves—General requirements.—In order that adequate provision may be made for all necessary renewals and replacements of operating property and equipment and for the maintenance thereof in a condition of repair adequate for the purposes of airway transportation the carriers shall establish and maintain adequate depreciation reserves and shall conform to such rules and regulations as may from time to time be prescribed for accounting for depreciation, for the classification of property

and equipment for such purposes, for determining the rate or amount of depreciation to be accounted for on each unit, class, or group of property and equipment, and for the establishment and maintenance of depreciation reserve accounts.

A. *Depreciation defined.*—By the term "depreciation" is meant the losses, either temporary or permanent, suffered through current lessening in service value of tangible physical property due to wear and tear from operation and the action of time and the elements which are not replaced by current repairs, as well as those ordinary losses in capacity for use or service sustained by physical property from obsolescence or inadequacy due either to age, physical change, or supercession resulting from new inventions, discoveries, change in popular demand, or requirements of public authority. Temporary losses in service value of property, which it is practicable later to replace through repairs or renewals, may be said to represent deferred maintenance. For the purposes of this classification the term "deferred maintenance" shall be understood to mean physical deterioration through wear and tear due to use or to the effects of weather or other physical conditions which accrue currently from the time carrier's property is placed in service but which does not materially reduce the operating efficiency of the carrier's line and which it is impossible or impracticable to replace by current repairs or renewals.

B. *Character of property involved.*—For the purpose of accounting for depreciation as it currently accrues all property the cost of which is properly includable in the real property and equipment accounts of the carrier shall be classified as between (1) property not subject to depreciation and (2) property which is subject to depreciation.

1. Under property not subject to depreciation shall be included:
   - (*a*) Land held in fee or under perpetual rights.
   - (*b*) Franchises or rights for use of patented equipment or other rights and licenses, whether perpetual or having a fixed term of life.
   - (*c*) Expenditures on uncompleted units of property and equipment during the process of construction or manufacture.
   - (*d*) Any other tangible physical property which from the nature of its construction or its inherent characteristics is not subject to depreciation.
2. Under property which is subject to depreciation shall be included:
   - (*a*) All buildings, structures, equipment, facilities, and appliances constituting the tangible physical property of the carrier and properly includable in the real property and equipment accounts of the carrier, except such tangible physical property as from the nature of its construction or its inherent characteristics may be considered as permanent and not subject to depreciation.

C. *Method of computing and accounting for depreciation, and rates to be charged.*—Uniform monthly charges estimated to cover depreciation of property shall be included in the depreciation accounts for real property and equipment and concurrently credited to balance-sheet accounts No. 549, "Accrued Depreciation—Buildings"; No. 550, "Accrued Depreciation—Equipment"; and No. 551, "Accrued Depreciation—Miscellaneous Physical Property."

(*a*) Charges for depreciation, other than deferred maintenance, shall in all cases be based upon the cost of the property depreciated, and the rate used shall be such that when applied to the cost of a particular building, structure, unit of equipment, item or class of depreciable property at regular intervals throughout the service life of such building, unit of equipment, item or class of property will produce an amount equal to the cost thereof plus the cost of dismantling, less salvage. For the purposes of this classification the cost as determined in the several accounts under the classification of real property and equipment shall be deemed to be the fair value thereof. (Depreciation representing deferred maintenance, if any, shall be estimated, based upon experience and the best sources of information available.) Where the loss or exhaustion of capacity for service is dependent upon the use made of certain units or classes of property, such as aircraft, engines, propellers, etc., a rate of depreciation based upon service time or other appropriate basis may be used. The procedure in connection with the accounting for depreciation of carrier property shall be such that at all times the credit balance in the depreciation reserve accounts shall fairly reflect, as nearly as it is practicable to estimate, the depreciation that has accrued on carrier property remaining in service, or the loss in service value or in the capacity for service that has taken place in such property.

(*b*) All losses in the service value of the property, including, in the absence of negligence of the carrier, extraordinary losses, whether or not provided for currently, shall be included in operating expenses as a charge against the earnings from operation. Losses on property, other than land, prematurely retired and not sufficiently provided for by insurance or depreciation reserves, when of an amount which would impair the significance of operating ratios, may be distributed over a term of months, but permission shall be obtained from the department if it is desired to extend the charges to the operating expenses of a succeeding fiscal year, or in case of extraordinarily large items it is desired to charge profit and loss. (See special instructions, sec. 5, real property and equipment accounts, p. 94.)

(*c*) The carrier shall in its annual report to the department, or at such other time as the department may make request for same, prepare and submit to the department, or its duly authorized representative, a statement showing in detail the plan upon which the carrier is accounting for depreciation, including the cost of the property, and the property and the cost thereof which the carrier considers is not subject to depreciation. Such statement shall further show as to each class of property, or structure, unit, or item when separately estimated, on which it is proposed to account for depreciation other than deferred maintenance, its cost, its service life (which the carrier may estimate if not known), the estimated value of salvage (if any) recoverable at time of retirement, and the rate necessary to be applied to the cost of each class of property, or structure, unit, or item, to produce a reserve equal to the difference between the cost and the salvage value (if any) recoverable at the time of retirement. A schedule shall also be submitted showing a list of property, if any, and the cost thereof on which it is proposed to account for depreciation representing deferred maintenance, the annual amount of such depreciation, the basis for determining such amount, and such other details as may be appropriate. Such classification of property and such rates and amounts of depreciation thereon so proposed shall be used by the carrier as a basis for accounting for depreciation, unless and until the department, after investigation and hearing, shall by order require changes in such classification and in such rates and amounts of depreciation.

(*d*) Depreciation charges with respect to any building, structure, unit of equipment, item, or class of depreciable property shall cease when the difference between the ledger value and the estimated salvage value shall have been charged to the depreciation accounts.

Sec. 4. Property retirements.—(*a*) Retirement accounts (including combined depreciation and retirement accounts) shall be charged with the ledger value of

property (including equipment) destroyed, sold, or otherwise retired from service, less (1) amounts previously charged for depreciation with respect to the property retired, and (2) value of salvage or amounts realized from the sale of the property retired.

(*b*) Except when permission is given by the department for exceptional treatment under section 3, above, charges to the retirement accounts shall be made at the time of the retirements.

(*c*) When property is sold at a price in excess of its original cost the amount of the profit shall be credited to profit and loss.

Sec. 5. Insurance and salvage.—(*a*) Insurance and salvage recovered in connection with maintenance jobs not involving deductions from real property and equipment accounts shall be credited to the appropriate maintenance account.

(*b*) If the insurance for damaged property is relatively large and is received before the repairs have been completed, a disproportionate credit to operating expenses may be avoided by crediting the amount of the insurance recovered to a suspense account, to which the cost of the repair shall then be charged to the extent that it is covered by insurance.

(*c*) Insurance recovered in connection with damage to property of others shall be credited to account No. 226, "Damage to Property"; insurance recovered in connection with loss and damage of express or freight while in custody of the carrier shall be credited to account No. 227, "Loss and Damage"; and insurance recovered in connection with personal injuries shall be credited to account No. 228, "Injuries to Persons." Dividends distributed by mutual insurance companies shall be credited to the account to which the insurance premium is charged. Recoveries under fidelity bonds shall be credited to the account charged with the loss.

Sec. 6. Rents paid.—Certain rents are provided for in operating expenses, and the records shall be so kept that if required the total amount of rents may be ascertained. Subaccounts to the operating expense accounts will not be required for this purpose. No entries for rent shall be made in operating expenses for the carrier's use of its own property.

Sec. 7. Division of expense at terminals.—(*a*) At any point which is the terminus of two or more air transportation lines of a carrier, one or more of which is an air mail route, the expenses, other than those which are deemed to be direct expenses of each line, shall be apportioned on an appropriate basis. The factor or basis to be used in each instance shall be one that, in the opinion and belief of the carrier, is fair and equitable to each line or route concerned. The expenses to be so divided include the salaries and expenses of general and supervisory officers and employees, shop, office, and other employees whose work is divided between two or more lines, rents, materials, and supplies, and all other salaries, wages, and expenses of whatever kind that are not wholly chargeable to a single line or route.

(*b*) The carrier shall in its annual report to the department, or at such other time as the department may make request for same, prepare and submit to the department, or its duly authorized representative, a statement showing in detail the plan which the carrier is using in making the division of expenses at each such point or terminal. Such statement shall show by title or other designation all items of expense which the carrier considers are subject to such division, the factor used as the basis for division in each instance, and the percentages used in the division of such expense to each line or route concerned.

(*c*) When the addition or discontinuance of a line or route, or a reorganization or rearrangement of property, equipment, or facilities substantially changes the basic factor or the percentages used for separation of such expenses at terminals, the carrier shall submit, upon request, the new bases upon which the common expenses are divided.

(*d*) The above instructions do not refer to "joint facility" operations, the instructions for which are included in section 15 herein.

Sec. 8. Passenger expenses.—Where the carrier operates scheduled exclusive passenger-carrying aircraft over all or any part of the authorized air mail route all direct aircraft operating expenses relating to such exclusive passenger-carrying operations shall be kept separate and distinct, by appropriate subaccounts for each account affected, from other aircraft operating expenses and reported as provided in the monthly and annual reports to the department. This refers particularly to the expenses indicated by the following expense account numbers: 153, 154, 155, 156, 157, 158, 159, 160, 161, 204, 205, 206, 207, 208, 211, 212, 213, 214, 215, 222, 224, and 225.

Sec. 9. Clearing accounts.—There are certain items of expenditure that usually affect several classes of operations and which it may be desirable to charge to a clearing account prior to the distribution thereof to specific operating expense, or other appropriate accounts. Among the more important of such items are stores department and shop department costs, for which clearing accounts are provided below. Other similar clearing accounts may be established when necessary or desirable. The clearing accounts listed hereunder, and other similar accounts, if maintained, should be cleared monthly, but if at the end of the month, or at such other times as the accounts may be closed, a debit balance remains in these accounts, which is properly chargeable to current operating expenses and which is impracticable of distribution to a specific operating expense account or accounts, such undistributed balance may be included in operating expense account No. 190, "Other Maintenance Expenses," or No. 231, "Other Transportation Expenses."

A. *Stores department.*—To a clearing account entitled "Stores Department," or to an appropriate subaccount thereunder, shall be charged all expenses, except insurance and taxes, incurred directly in connection with the purchase, storage, handling, and distribution of materials, supplies, and stationery. It includes (1) the pay, or proportionate part thereof, and expenses of purchasing agents, managers of stores, clerks, and laborers; (2) rents paid for store buildings, yards, etc.; (3) cost of lighting and heating; (4) undistributed transportation charges; (5) overages or shortages in the material and supplies account disclosed by inventories which can not be assigned to specific accounts; and (6) the estimated depreciation on materials and supplies due to breakage, leakage, shortage, and wear and tear.

This account shall be cleared by adding to the cost of materials and supplies passing through stores a suitable loading charge which will equitably distribute the total cost of conducting the stores and by adding to the cost of such supplies as are bought by the purchasing department on pro rata share of the total expense for the purchasing department.

Determined differences in the accounts for important classes of materials, disclosed by inventories, should be adjusted by debiting or crediting specific accounts, and only those inventory adjustments which relate to miscellaneous materials and supplies or which can not be definitely assigned to any particular class of material or specific account should be cleared through the stores department account.

B. *Shop department.*—To a clearing account styled "Shop Department," or to an appropriate subaccount thereunder there should be charged items of

expense at shops for repairing aircraft, engines, propellers, instruments, communication equipment, motor vehicles, and other equipment when such items of expense are not directly assignable to specific accounts. This will include items such as (1) salaries and wages of general and supervisory shop employees; (2) personal and incidental expenses of such employees; (3) materials and supplies for general shop use; (4) repair of shop structures, tools and machinery, etc.

This account shall be cleared by apportioning the total of the expenses to the various jobs performed by the shop department on an equitable basis.

Sec. 10. Unaudited bills and vouchers.—When bills covering operating expense items are not received in time for audit, and when the vouchers are not made in time for inclusion in the operating accounts of the month in which the transactions occur, the items may be estimated and in such form charged or credited to operating accounts and credited or charged to appropriate suspense accounts, the necessary adjustments being made later when the item is audited. *The carrier is not required to anticipate minor items which would not appreciably affect operating accounts.*

Sec. 11. Delayed operating expense items.—The entries in the operating expense accounts prescribed in this classification should, for a particular month or year, include so far as practicable all the expenses incurred during such month or year. In case, however, an expense item is not included in the accounts for the fiscal period to which it applies it should be included in the expense accounts for the period in which the entry relating thereto is recorded, unless the amount of such delayed item is relatively so large that its inclusion in the expense accounts for a single year would result in a seriously abnormal statement of operating expenses. In such instances the carrier, after application to the department, shall distribute to profit and loss so much of the amount as may be authorized and agreed upon between the parties. The carrier should file with the department for approval the full particulars concerning each such item and the reasons which, in its judgment, indicate the propriety of such accounting. (See special instructions, sec. 2, relating to profit and loss accounts, p. 61.)

Sec. 12. Accruals of reserves for overhaul.—No provision is made in this classification for accruals (monthly or otherwise) of amounts deemed sufficient to provide for the next major overhaul of aircraft, engines, or other equipment. It is intended that the accounts in this classification shall reflect only the actual cost of such work.

Sec. 13. Schools and courses of instruction.—When the carrier conducts schools or courses of instruction in connection with its transportation operations, the costs and charges incident to conducting such schools and courses of instruction, including pay of instructors, materials and supplies used, rent, heat, light, insurance, taxes, and all other expenses, shall be kept separate from other operating costs and shown in account No. 256—"Other Miscellaneous Operations Expenses." It is desirable and will facilitate examination of the accounts if a separate set of accounts are kept that will show the detail of the charges through the operation of schools and courses of instruction.

Sec. 14. Miscellaneous operations.—The expenses of miscellaneous operations shall not be included in the accounts of this classification when the facilities used are distinct from those used by the carrier in the service of transportation or in the maintenance of facilities used in transportation service and the operations are not incident to such service. This includes the operation of commercial gasoline and oil stations, repair and service stations, training schools, hotels, restaurants, lunch rooms, aircraft sales agencies, etc. (See income account No. 306, "Net Income from Miscellaneous Physical Property," and account No. 318, "Net Loss on Miscellaneous Physical Property.")

Sec. 15. Joint facility rents and expenses.—(*a*) A joint facility, for the purpose of this system of accounts, is defined as any property devoted wholly or in part to airway and/or airport operations and which is occupied or used jointly by the carrier and another or others; or any airway or airport property operated for the benefit of the carrier and another or others under an agreement whereby the "tenants" pay to the owner or operator of the property any one or all of the following items: A return upon the investment in the property, a profit on the operation, or a portion of the expense of operating and maintaining the property.

(*b*) Where the carrier owns the joint facility, any amount charged another party to the joint arrangement representing a return upon the investment in the property or a profit from the operation shall be credited to operating revenue account No. 126, "Rents of Buildings and Other Properties."

(*c*) Where the carrier is a party to a joint-facility arrangement and pays the owner or operator of the facility a return upon the investment in the property or a profit from operation, the amount of such payment shall be charged to the appopriate rent account in operating expenses. (See accounts 202, 212, 217, 219, 220, and 256.)

(*d*) Any payment by the carrier as reimbursement to the owner or operator of joint fields, structures, and equipment for the expense of operating and maintaining same shall be included in the appropriate "joint expense" debit account or accounts. (See accounts 188, 229, and 268.)

(*e*) Any amount charged by the carrier to another or others as reimbursement for the expense of maintaining and operating joint fields, structures, and equipment shall be included in the appropriate "joint expense" credit accounts. (See accounts 189, 230, and 269.) There shall also be included in the appropriate "joint expense" credit account the amount charged to property accounts in connection with construction or placing in operation of new structures or equipment for joint use.

(*f*) So far as practicable, joint operating expenses should be assigned to or equitably apportioned among the several "joint expense" debit or credit accounts. Where no part of a joint expense item is applicable to either maintenance or operation of fields, structures, and equipment the entire amount may be included as a "joint expense" under "General and administrative" expenses. (See accounts 268 and 269.)

(*g*) These instructions are not intended to cover *joint ownership* of airway or airport facilities and other property where each joint owner bears the cost of operating and maintaining his own property. In such cases the cost of operation and maintenance should be handled through the appropriate operating expense accounts other than the "joint expense" debit or credit accounts, even though one of the joint owners operates or maintains the property and bills against the other owners for all or a portion of the expenses incurred.

Sec. 16. Interpretation of item lists.—Lists of "Items." "Details," etc., have been given as a part of this classification for the purpose of more clearly indicating the application of the accounting rules in specific cases. The lists in every case shall be considered as merely representative and not as excluding from any account analogous items which happen to be omitted from the list appended. On the other hand, the appearance of an item in a list warrants the inclusion of the item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item frequently appears in more than one list.

TEXT PERTAINING TO OPERATING EXPENSE ACCOUNTS

I. MAINTENANCE OF FIELDS, STRUCTURES, AND EQUIPMENT

The primary accounts included in this general account are designed to show the amount of expense, including depreciation accrued, incurred for maintaining the fields, buildings, structures, and equipment used by the accounting carrier, and the original cost (less salvage) of property, other than land, abandoned or retired from service.

151. SUPERINTENDENCE—FIELDS, STRUCTURES, AND EQUIPMENT.

This account shall include the pay, or a proportionate part thereof, of officers and supervisory employees directly in charge of or engaged in supervision of fields, structures, and equipment used in transportation operations.

The pay, or a proportionate part thereof, of clerks and other employees in the offices of officers and supervising employees whose pay is chargeable to this account.

Office and other expenses, or a proportionate part thereof, including heat, light and water, travel and miscellaneous office supplies, and expenses of officers and employees whose pay is chargeable to this account.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, sec. 16, p. 17)

Atlases.
Blue prints.
Books, maps, and guides.
Boxes for materials and instruments.
Fees and dues in associations.
Heating.
Lighting.
Office and other supplies.
Periodicals and newspapers.
Postage.
Telegraph service.
Telephone service.
Traveling expenses.
Water and ice.

NOTE A.—When the above-mentioned officers and employees are engaged in work not chargeable to maintenance, their pay and expenses shall be charged to the specific work on which engaged.

NOTE B.—When officers have supervision over more than one department, their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equitably among the departments over which they have supervision.

NOTE C.—The cost of stationery for maintenance offices is chargeable to account No. 187—Stationery and Printing.

152. FIELD MAINTENANCE.

This account shall include the cost of maintaining and repairing airport and field grounds and keeping same in the condition necessary for operations. It shall include the cost of lighting airports and fields at night or in stormy weather; the cost of cutting, removing and disposing of brush, grass, weeds, snow, ice, and other material at airports and fields; the cost of implements, tools, and supplies used by repair men in field maintenance; the proportionate cost of watchmen engaged in watching and patroling fields.

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Lights on fields except those connected with buildings, care of lawns, rubbish removal, and sprinkling.
Driveways not parts of buildings.
Lawn mowers.
Paving not charged to other accounts.
Plows.
Rollers.
Runways not parts of buildings.
Shovels.
Snow-removal equipment.
Sprinklers.
Walks not parts of buildings.

153. AIRCRAFT—REPAIRS.

This account shall include the cost (less salvage) of repairing, painting, varnishing, finishing, and lettering aircraft of all classes included in property account No. 605—"Aircraft"; the cost of repairing propellers, instruments, and all appurtenances thereof with the exception of engines and aircraft communication equipment. This will include daily and periodical inspections, major overhauls, repairs, and replacements. (See special instructions, secs. 2 and 8, pp. 11 and 15.)

LIST OF APPURTENANCES TO AIRCRAFT

(See special instructions, sec. 16, p. 17)

Accelerometers.
Ailerons.
Air cushions.
Air distance recorders.
Air speedometers.
Air speed indicators.
Aircraft furniture and fittings.
Aircraft instruments.
Altimeters.
Anemometers.
Batteries.
Barographs.
Beacons.
Climb indicators.
Clocks.
Earth inductor compasses.
Elevators.
Fire extinguishers.
Flares and brackets.
Flight indicators and recorders.
Flow meters.
Fuel and oil tanks.
Gas cell alarms.
Hydrostatic gauges.
Inclinometers.
Kymographs.
Landing gear.
Lighting systems.
Leak detectors.
Magnetic compasses.
Pitch indicators.
Power cars.
Pressure gauges.
Propellers and parts.
Pumps.
Rudders.
Shock absorbers.
Sirens.
Skids.
Speed and drift meters.
Stabilizers.
Struts.
Superheat meters.
Switches.
Tachometers.
Temperature gauges.
Thermometers.
Tires and tubes.
Turn and bank indicators.
Venturi tubes.
Vertimeter.
Water-recovery apparatus.
Water tanks and fittings.

154. AIRCRAFT—DEPRECIATON.

This account shall include the current charges covering the depreciation on aircraft, propellers, and aircraft instruments owned by the carrier and used in its transportation operations. (See special instructions, secs. 3 and 8, pp. 11 and 15.)

155. AIRCRAFT—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation charged on account of such retired aircraft, propellers and aircraft instruments, to the date of their retirement. (See special instructions, secs. 4 and 8, pp. 13 and 15.)

156. ENGINES—REPAIRS.

This account shall include the cost (less salvage) of major overhauls, daily and periodical inspections, repairs and renewals of small parts to all service aircraft engines and appurtenances included in property account No. 606—"Engines," and the cost of small hand tools used in repair work.

This account shall also include the cost of transportation of aircraft engines to shops for repairs on account of engine failure or other causes *except* wrecks. (See special instructions, secs. 2 and 8, pp. 11 and 15.)

DETAILS OF REPAIRS AND RENEWALS

(See special instructions, sec. 16, p. 17)

Batteries.
Carburetors.
Cooling systems.
Engine parts and mountings.
Generators.
Grease and oil cups.
Ignition systems.
Magnetos.
Mufflers.
Oiling systems.
Radiators.
Spark plugs.
Starters.
Superchargers.

NOTE.—For cost of transportation of aircraft engines to shops on account of wrecks see account No. 225, "Clearing Wrecks."

157. ENGINES—DEPRECIATION.

This account shall include the current charges covering the depreciation of aircraft engines owned by the carrier and used in its transportation operations. (See special instructions, secs. 3 and 8, pp. 11 and 15.)

158. ENGINES—RETIREMENTS.

This account shall include the amount necessary to adjust the difference between the ledger value (less salvage) of aircraft engines and the amount of accrued depreciation charged on account of such retired aircraft engines to date of their retirement. (See special instructions, secs. 4 and 8, pp. 13 and 15.)

159. AIRCRAFT COMMUNICATION EQUIPMENT—REPAIRS.

This account shall include the cost (less salvage) of repairing aircraft radio and radiophone, telephone, telegraph, teletype, and other communication apparatus, including equipment and appurtenances thereof owned or leased by the carrier and used in its transportation operations. This account shall include the cost of repairing both sending and receiving apparatus and such other equipment installed aboard aircraft necessary to communication operations. The cost of renewals of small parts incident to the maintenance of such apparatus and equipment and the cost of small tools used and special tools necessary in such repair work. (See special instructions, secs. 2 and 8, pp. 11 and 15.)

DETAILS OF AIRCRAFT COMMUNICATION EQUIPMENT

(See special instructions, sec. 16, p. 17)

Antennae.	Poles.
Batteries.	Receiving apparatus and equipment.
Cables.	Sending apparatus and equipment.
Head sets.	Tubes.
Generators.	Tubing.
Masts.	Wiring.

160. AIRCRAFT COMMUNICATION EQUIPMENT—DEPRECIATION.

This account shall include the current charges covering the depreciation of aircraft communication equipment owned by the carrier and used in its transportation operations. (See special instructions, secs. 3 and 8, pp. 11 and 15.)

161. AIRCRAFT COMMUNICATION EQUIPMENT—RETIREMENTS.

This account shall include the amount necessary to adjust the difference between the ledger value (less salvage) of aircraft communication equipment and the amount of accrued depreciation charged on account of such aircraft communication equipment to date of retirement. (See special instructions, secs. 4 and 8, pp. 13 and 15.)

162. AIRWAY COMMUNICATION EQUIPMENT—REPAIRS.

This account shall include the cost (less salvage) of repairing airway radio and radiophone, telephone, telegraph, teletype, and other communication apparatus, including equipment and appurtenances thereof, owned or leased by the carrier and used in its transportation operations. This account shall include the cost of repairing both sending and receiving apparatus and aerials, poles, masts, switchboards, and such other equipment that may be located adjacent to the station and necessary to airway communication operations. The cost of renewals of small parts incident to the maintenance of such apparatus and equipment and the cost of small tools used and special tools necessary for such work. (See special instructions, secs. 2 and 13, pp. 11 and 16.)

DETAILS OF AIRWAY COMMUNICATION EQUIPMENT

(See special instructions, sec. 16, p. 17)

Aerials.	Knobs.
Batteries.	Masts.
Cables.	Poles.
Cross arms.	Receiving apparatus and equipment.
Fences pertaining to radio installations.	Sending apparatus and equipment.
	Towers.
Gates pertaining to radio installations.	Tubes
Generators.	Tubing.
Head sets.	Wiring.

163. AIRWAY COMMUNICATION EQUIPMENT—DEPRECIATION.

This account shall include the current charges covering the depreciation of airway communication equipment owned by the carrier and used in its transportation operations. (See special instructions, sec. 3, p. 11.)

164. AIRWAY COMMUNICATION EQUIPMENT—RETIREMENTS.

This account shall include the amount necessary to adjust the difference between the ledger value (less salvage) of airway communication equipment and the amount of accrued depreciation charged on account of such retired airway communication equipment to date of retirement. (See special instructions, sec. 4, p. 13.)

165. HANGAR EQUIPMENT—REPAIRS.

This account shall include the cost (less salvage) of repairing and painting hangar, airship shed, and mooring-mast equipment owned or leased by the carrier and used in its transportation operations.

For the purpose of this classification, mooring masts complete with gear and equipment necessary for operation shall be considered as adjuncts to or a part of airship sheds or other similar buildings located at fields. (See special instructions, sec. 2, p. 11.)

DETAILS OF HANGAR EQUIPMENT

(See special instructions, sec. 16, p. 17)

Ballast tanks and trucks.	Ground gear.
Benches.	Handling lines.
Blowers.	Heating equipment.
Cables.	Ladders.
Cleaning and washing equipment.	Landing targets.
Couplings.	Lubricating devices.
Cranes.	Overhead suspensions.
Docking cradles.	Portable lights.
Docking rails.	Protective devices.
Docking trolleys.	Pumps.
Dollies.	Stoves.
Drip pans.	Surge tackle.
Electric motors and fans.	Taxi cars.
Fire extinguishers.	Testing devices.
Fuel trucks.	Tire pumps.
Fuel strainers.	Tire-changing apparatus.
Fuel and water hose and pumps.	Tools.
Funnels.	Trolley and trolley tackle.
Furniture.	Trucks (hand).

166. HANGAR EQUIPMENT—DEPRECIATION.

This account shall include the current charges covering the depreciation of hangar equipment owned by the carrier and used in its transportation operations. (See special instructions, sec. 3, p. 11.)

167. HANGAR EQUIPMENT—RETIREMENTS.

This account shall include the amount necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation charged on account of such retired hangar equipment to date of retirement. (See special instructions, sec. 4, p. 13.)

168. SHOP EQUIPMENT—REPAIRS.

This account shall include the cost (less salvage) of repairing and painting all shop machinery and other test, experimental, and repair equipment, of whatever kind, owned or leased by the carrier and used in its transportation operations. It shall include the cost of repairs to aircraft, engine, propeller, aircraft instrument, communication equipment, motor vehicle, and other experimental, test, repair, and overhaul shop machinery and equipment. The cost of renewals of small parts incident to maintenance of such machinery and equipment and the cost of small hand tools used in the repair of same. (See special instructions, sec. 2, p. 11.)

DETAILS OF SHOP EQUIPMENT

(See special instructions, sec. 16, p. 17)

Air compressors.	Machine tools.
Belting.	Mandrels.
Benches.	Metal-working tools.
Blowers.	Oxyacetylene torches and equipment.
Cranes.	Paint spray equipment.
Dollies.	Pipe cutting and threading machines.
Doping equipment.	Planers.
Drill presses.	Portable lights.
Drilling machines.	Power machinery.
Electric motors.	Presses.
Electrician's tools.	Protective devices.
Enameling equipment.	Pumps.
Exhaust fans.	Radio repair tools and apparatus.
Fire extinguishers.	Riveters.
Furniture.	Sanitary equipment.
Gauges.	Saws.
Generators.	Storage tanks.
Grinders and polishing machines.	Stoves.
Hand tools.	Tables.
Heating and ventilating equipment.	Tire-repair equipment.
Hoists.	Tool chests.
Instrument repair tools and equipment.	Trucks (hand).
Laboratory testing apparatus.	Vises.
Lacquering tools and equipment.	Welding apparatus.
Ladders.	Woodworking machines.
Lathes.	

169. SHOP EQUIPMENT—DEPRECIATION.

This account shall include the current charges covering the depreciation of shop equipment owned by the carrier and used in its transportation operations. (See special instructions, sec. 3, p. 11.)

170. SHOP EQUIPMENT—RETIREMENTS.

This account shall include the amount necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation charged on account of such retired shop equipment to date of retirement. (See special instructions, sec. 4, p. 13.)

171. MOTORIZED VEHICLES—REPAIRS.

This account shall include the cost (less salvage) of repairing, painting, varnishing, and lettering motorized vehicles of all classes, including passenger automobiles, motor cycles, trucks, special-built motor vehicles, and trailers owned or leased by the carrier and used in its transportation operations, and the cost of repairing and renewing tires and other appurtenances thereof. (See special instructions, sec. 2, p. 11.)

LIST OF MOTOR VEHICLES

(See special instructions, sec. 16, p. 17)

Automobiles.	Special-built motor vehicles.
Busses.	Trailers.
Motor cycles.	Trucks.

172. MOTORIZED VEHICLES—DEPRECIATION.

This account shall include the current charges covering the depreciation of motorized vehicles of all classes owned by the carrier and used in its transportation operations. (See special instructions, sec. 3, p. 11.)

173. MOTORIZED VEHICLES—RETIREMENTS.

This account shall include the amounts necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation charged on account of such motorized vehicles to date of retirement. (See special instructions, sec. 4, p. 13.)

174. FUEL, WATER, OIL, AND GAS, STORAGE AND DISTRIBUTION EQUIPMENT—REPAIRS.

This account shall include the cost of repairing and painting all fuel, water, oil, and gas, storage tanks, pumps, pipe lines, and equipment; gas plants and repurification plants and equipment owned or leased by the carrier and used in its transportation operations; the cost of maintenance of grounds and repairs to fences if separately inclosed; also the cost of repairing and renewing of small fixtures and parts, including tools, and the proportionate cost of watchmen and patrol service chargeable to this account. (See special instructions, sec. 2, p. 11.)

DETAILS OF STORAGE AND DISTRIBUTION EQUIPMENT

(See special instructions, sec. 16, p. 17)

Fences and gates.	Pipe lines.
Fire extinguishers.	Pumps.
Foundations.	Redistilling apparatus and equipment.
Fuel trucks (except motorized vehicles).	Storage tanks.
Gas plants.	Repurification plants.

175. FUEL, WATER, OIL, AND GAS, STORAGE AND DISTRIBUTION EQUIPMENT—DEPRECIATION.

This account shall include the current charges covering the depreciation of fuel, water, oil, and gas, storage and distribution equipment owned by the carrier and used in its transportation operations. (See special instructions, sec. 3, p. 11.)

176. FUEL, WATER, OIL, AND GAS, STORAGE AND DISTRIBUTION EQUIPMENT—RETIREMENTS.

This account shall include amounts necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation charged on account of such fuel, water, oil, and gas, storage and distribution equipment to date of retirement. (See special instructions, sec. 4, p. 13.)

177. HANGARS—REPAIRS.

This account shall include the cost (less salvage) of painting, repairing, and removing hangars, airship sheds, and mooring masts, together with fixtures and appurtenances (including those for heating and lighting), including runways,

walks, fences, and gates adjacent thereto when considered parts of the hangars, sheds, and masts owned or leased by the carrier and used in its transportation operations. The cost of repairing improvements to and permanent fixtures in hangars, sheds, and masts owned by others when such improvements and fixtures are chargeable to the carrier's property account. The proportionate cost of watchmen and patrol service chargeable to this account.

For the purposes of this classification mooring masts complete with gear and equipment necessary for operation shall be considered as adjuncts to or a part of airship sheds or other similar buildings located at fields.

The details of this account shall be so kept as to show separately the charges to this account for the following: (1) hangars, (2) airship sheds, (3) mooring masts. (See special instructions, sec. 2, p. 11.)

LIST OF ITEMS OF REPAIR

(See special instructions, sec. 16, p. 17)

Heating systems.	Sanitary equipment.
Mooring-mast gear and equipment.	Sprinkler systems.
Paving adjacent to hangars and sheds.	Ventilating equipment.
Protective devices.	

NOTE.—See note under account No. 179, "Buildings and Appurtenances—Repairs."

178. HANGARS—DEPRECIATION AND RETIREMENTS.

This account shall include the current charges covering the depreciation of hangars, airship sheds, and mooring masts and equipment owned by the carrier and used in its transportation operations; also the amount necessary to adjust the difference between the ledger value (less salvage) and the amounts of accrued depreciation charged on account of such hangars, airship sheds, and mooring masts to date of retirement. (See special instructions, secs. 3 and 4, pp. 11 and 13.)

179. BUILDINGS AND APPURTENANCES—REPAIRS.

This account shall include the cost of repairing, painting, and removing buildings, *except* hangars,* their fixtures and appurtenances (including those for heating and lighting), including walks, fences, and gates adjacent thereto, when considered parts of the buildings and used by the carrier in its transportation operations; the cost of repairing buildings equipped as administration or airport headquarters, waiting rooms, repair shops, and/or airway communication stations owned or leased by the carrier and used in its transportation operations; the cost of repairing improvements to and permanent fixtures in buildings owned by others, when such improvements are chargeable to the carrier's property account No. 604 "Improvements to Buildings not Owned." The proportionate cost of watchmen and patrol service is chargeable to this account. (See special instructions, sec. 2, p. 11.)

* NOTE.—When shops, communication stations, sleeping quarters, or any other activity are also located in hangars or airship sheds, the cost of repairs to that part of the hangar or shed, its fixtures and appurtenances, occupied by such activities shall be included in account No. 177, "Hangars—Repairs."

LIST OF BUILDINGS AND STRUCTURES

(See special instructions, sec. 16, p. 17)

Buildings used for offices.
Buildings housing airway communication equipment.
Buildings used as sleeping or housing quarters for employees.
Shop buildings.
Special type buildings.
Warehouses.

DETAILS OF FIXTURES AND APPURTENANCES

(See special instructions, sec. 16, p. 17)

Heating systems.	Sanitary equipment.
Lighting systems.	Sprinkler systems.
Paving when adjacent to buildings.	Ventilating systems.
Protective devices.	

180. BUILDINGS AND APPURTENANCES—DEPRECIATION AND RETIREMENTS.

This account shall include the current charges covering the depreciation of buildings and appurtenances (except hangars, airship sheds, and mooring masts) owned by the carrier and used in its transportation operations; also the amounts necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation charged on account of such buildings and appurtenances to date of retirement. (See special instructions, secs. 3 and 4, pp. 11 and 13.)

181. FURNITURE AND EQUIPMENT—REPAIRS.

This account shall include the cost (less salvage) of repairing, painting, and varnishing all office, station and waiting room furniture and the cost of repairing and renewing office appurtenances, equipment, and fittings thereof not considered a part of the building, owned or leased by the carrier and used in its transportation operations. (See special instructions, sec. 2, p. 11.)

DETAILS OF OFFICE FURNITURE AND EQUIPMENT

(See special instructions, sec. 16, p. 17)

Adding machines.	Coat and hat racks.	Portable lights.
Baskets.	Desks.	Rugs.
Bookcases.	Duplicating machines.	Screens.
Cabinets.	Electric fans.	Stands.
Carpets.	Filing cases.	Stools.
Chairs.	Lockers.	Stoves.
Clocks.	Mirrors.	Stepladders.
Counters.	Mimeographing machines.	Tables.
Calculating machines.	Maps.	Typewriters.
Cupboards.	Pictures.	Water coolers.

182. FURNITURE AND EQUIPMENT—DEPRECIATION AND RETIREMENTS.

This account shall include the current charges covering the depreciation of furniture and equipment owned by the carrier and used in its transportation operations, also the amounts necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation charged

on account of such furniture and equipment to date of retirement. (See special instructions, secs. 3 and 4, pp. 11 and 13.)

183. OTHER EQUIPMENT—REPAIRS.

This account shall include the cost of repairing, painting, and removing equipment owned or leased by the carrier and used in its transportation operations (*except* that used in schools and for courses of instruction), includable in property account No. 614, "Other Equipment," and the cost of repairing and renewing small parts used in connection therewith, and also the cost of special tools used in such work. The proportionate cost of watchman and patrol service is chargeable to this account. (See special instructions, secs. 2 and 13, pp. 11 and 16.)

DETAILS OF EQUIPMENT

(See special instructions, sec. 16, p. 17)

Fences not parts of buildings or gasoline and oil tanks.
Field lighting equipment.
Fire-alarm installations if not parts of buildings.
Flag poles.
Masts other than radio.
Protective devices if not parts of buildings or gasoline and oil tanks.
Signs on fields.
Wind and weather indicators and equipment erected on fields.

184. OTHER EQUIPMENT—DEPRECIATION AND RETIREMENTS.

This account shall include charges covering the depreciation of equipment owned (*except* that used in schools and for courses of instruction) and includable in property account No. 614, "Other Equipment," also the amounts necessary to adjust the difference between the ledger value (less salvage) and the amount of accrued depreciation on account of such other equipment to date of retirement. (See special instructions, secs. 3 and 4, pp. 11 and 13.)

185. INJURIES TO PERSONS.

This account shall include expenses on account of injuries to persons which occur directly in connection with repairs and maintenance of fields, structures, and equipment. Services of employees and others called in consultation in relation to claim adjustments; pay and expenses of employees while engaged as witnesses at inquests and lawsuits; and salary allowances to employees while absent from duty on account of injuries while on duty. The details of this account shall be so kept as to show separately the charges to this account for injuries to persons in connection with (1) fields and structures, and (2) equipment. (See special instructions, sec. 13, p. 16.)

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Artificial limbs.
Carriage fees.
Claim-adjusting services.
Compensation for injuries or death.
Final judgment, including plaintiffs' court costs.
Funeral expenses.
Hospital expenses.
Medical and surgical services.
Medical and surgical supplies.
Notarial fees.
Nursing.
Railroad transportation.
Undertakers' fees.
Witnesses' fees and expenses at inquests and lawsuits.

NOTE.—Expenses incident to personal injury not otherwise provided for shall be included in account 264, "Law Expenses—General."

186. INSURANCE.

This account shall include all premiums paid by the carrier for insurance on airport buildings, shops, hangars, and equipment (other than aircraft, see account No. 224), furniture and fixtures, motor vehicles, airport liability, tornado, compensation, and all other insurance premiums of whatever kind or class incident to ground operations at or about airports *except* insurance in connection with the operation of schools and courses of instruction. This account shall also include charges by which self-insurance is provided.

The details of this account shall be so kept as to show separately charges to this account for insurance in connection with (1) fields and structures, and (2) equipment.

This account shall be credited with dividends paid or surplus returned to the carrier in any form by mutual insurance companies. (See special instructions, sec. 5, p. 14.)

NOTE.—Where general offices of the carrier are not located at airports or insurance on same is otherwise separable therefrom all premiums for insurance on buildings, property, equipment, etc., relating to such general offices shall be included in Account No. 265—Insurance.

187. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in connection with maintenance of fields, structures, and equipment.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, sec. 16, p. 17)

Binders.
Blank books.
Blotters.
Carbon paper.
Cards.
Clips, paper.
Dating stamps.
Envelopes.
Erasers.
File boxes.
Forms.
Index cards.
Ink.
Inkwells.
Ledgers.
Letter paper.
Paper baskets.
Paste.
Pencils.
Penholders.
Pens.
Pins.
Postage.
Rubber bands.
Rubber stamps.
Rulers.
Shorthand books.
Sponge cups.
Tablets.

188. MAINTENANCE OF JOINT FIELDS, STRUCTURES, AND EQUIPMENT—DR.

This account shall include the carrier's proportion of the costs incurred by another or others in the maintenance of joint fields, structures, facilities, and equipment used in air transportation operations, including the carrier's proportion of expenses of repairing structures and equipment made necessary by accidents, when such expenses are participated in by another or others using the joint facilities.

The details of this account shall be so kept as to show separately the charges to this account for maintenance of (1) joint fields and structures, and (2) joint equipment.

NOTE.—The purpose of this account is to show the amounts accruing against the carrier for its proportion of the expense of maintaining fields, structures, facilities, and equipment which are maintained by another or others and in the joint use of which the carrier participates. (See special instructions, sec. 15, p. 17.)

189. MAINTENANCE OF JOINT FIELDS, STRUCTURES, AND EQUIPMENT—CR.

This account shall include amounts chargeable to another or others as their proportion of expenses incurred by the carrier in the maintenance of joint fields, structures, facilities, and equipment used in air transportation operations; the

expense of repairs made necessary by accidents when such expenses are participated in by another or others using the joint facilities; or charges to property accounts in connection with the construction or placing in operation of new equipment for joint use. Only charges in reimbursement of costs of maintenance should be included in this account. Any amount charged to others as a profit or as a return on investment in property should be credited to operating revenue account No. 126, "Rents of Buildings and Other Properties."

The details of this account shall be so kept as to show separately the amounts chargeable to others for maintenance of (1) joint fields and structures, and (2) joint equipment.

NOTE.—The purpose of this account is to show the amounts accruing in favor of the carrier for maintaining fields, structures, facilities, and equipment when same are maintained by the carrier and in the joint use of which another or others participate. (See special instructions, sec. 15, p. 17.)

190. OTHER MAINTENANCE EXPENSES.

This account shall include all expenses in connection with the maintenance of fields, structures, and equipment which are not properly chargeable to other accounts for such maintenance.

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Payments to maintenance employees for time absent on account of sickness, when not compensated for personal injuries.

Gratuities paid to persons for discovering fires at airports and fields, etc.

II. CONDUCTING TRANSPORTATION

The primary accounts included in this general account are designed to show the expenses incurred for transporting persons and the property of others.

201. SUPERINTENDENCE—TRANSPORTATION.

This account shall include the pay, or a proportionate part thereof, of officers and supervisory employees, including superintendents, operations managers, and dispatchers, directly in charge of or engaged in conducting transportation.

The pay, or a proportionate part thereof, of clerks and other employees in the offices of officers and supervisory employees whose pay is chargeable to this account.

Office and other expenses, or a proportionate part thereof, including heating, lighting, travel, and miscellaneous office supplies and expenses of officers and employees whose pay is chargeable to this account.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, sec. 16, p. 17)

Atlases and maps.
Barometers.
Books for office use.
Express charges.
Fees and dues in associations.
Heating.
Lighting.
Periodicals and newspapers.
Repairs of rented offices.
Traveling expenses.
Water and ice.

NOTE A.—When officers designated above have supervision over more than one department, their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equitably among the departments over which they have jurisdiction.

NOTE B.—The cost of stationery purchased for transportation offices is chargeable to account No. 223, "Stationery and Printing."

202. RENTS OF FIELDS AND OTHER PROPERTY.

This account shall include the rents paid whether by contract, lease, or otherwise for use of fields and ports, and rents paid for use of buildings, or parts thereof, properties, and equipment other than those rents specifically included in other accounts Nos. 212, 217, 219, 220, 221, and 256 herein. This account shall include the taxes on rented property and equipment assumed by the carrier. (See special instructions, secs. 6 and 13, pp. 14 and 16.)

NOTE.—Amounts received as subrents of property or equipment shall be credited to revenue account No. 126, "Rents of Buildings and Other Properties."

203. AIRPORT EMPLOYEES.

This account shall include the pay, or a proportionate part thereof, of supervisory and other employees, agents, clerks, and attendants in charge of, or engaged in, operation of airport offices, administration buildings, etc., for transaction of transportation business with the public, located at airports on the carrier's route.

Office and other expenses, or a proportionate part thereof, including heating, lighting, travel, and miscellaneous office supplies and expenses of employees whose pay is chargeable to this account.

LIST OF EMPLOYEES

(See special instructions, sec. 16, p. 17)

Agents.
Cashiers.
Chauffeurs.
Clerks.
Collectors.
Customs agents.
Express agents.
Guards.
Information bureau employees.
Janitors.
Local accountants.
Maids.
Messengers.
Package and parcel-room employees.
Policemen.
Porters.
Stenographers.
Ticket agents.

NOTE.—The cost of stationery purchased for transportation offices is chargeable to account No. 223, "Stationery and Printing."

204. FLYING PERSONNEL.

This account shall include the pay, or a proportionate part thereof, of chief officers, pilots, copilots, assistant pilots, stewards, and other flight personnel *except* aircraft communication operators while engaged in flying operations in connection with air transportation service. It shall also include base pay, mileage pay, or other pay received while engaged in test, inspection, ferry, or other nonrevenue flights when same are incident to such transportation operations. (See special instructions, secs. 8, 13, and 14, pp. 15 and 16.)

NOTE.—This account shall not include the pay of flight officers and assistants while engaged in "special flights" or instruction flights or any ferry, test, or inspection flights in connection therewith. See operating expense accounts No. 253, "Special Flights—Expense," and No. 256, "Other Miscellaneous Operations Expenses."

LIST OF PERSONNEL

(See special instructions, sec. 16, p. 17)

Commanding officer.
Executive officer.
Navigation officer.
Pilots and copilots.
Engineer officers.
Watch and communication officers.
Watch and commissary officers.
Keel officers.
Aerologist.
Medical officer.
Riggers.
Engineers.
Cooks.
Quartermaster.
Yeomen.
Stewards.
Attendants.
Storekeeper.

205. FLYING PERSONNEL EXPENSES.

This account shall include personal expenses of chief officers, pilots, and their assistants incident to trips when not includable in account No. 206, "Interrupted Trips—Expenses," or account No. 225, "Clearing Wrecks," such as emergency purchases of fuel, oil, small parts, and repairs, telephone and telegraph charges, etc. The cost, including maintenance and repair, of personal flying equipment furnished to the flight crews by the carrier. (See special instructions, sec. 8, p. 15.)

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Aerial maps.
Clothing.
Gloves.
Goggles.
Helmets.
Instruments carried as personal equipment.
Motor fuel.
Oil.
Parachutes.
Parts.
Repairs.
Safety belts.
Telephone and telegraph charges.
Radio and radiophone charges.

206. INTERRUPTED TRIPS—EXPENSE.

This account shall include the expenses incident to interrupted trips, by forced landings or otherwise, including the hire of motor vehicles or other aircraft to complete the trip. (See special instructions, sec. 8, p. 15.)

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Fuel and oil.
Hire of aircraft.
Hire of motor vehicles.
Lodging.
Meals.
Repairs and parts.
Telegraph and telephone charges.
Radio and radiophone charges.
Water.

207. FUEL FOR ENGINES.

This account shall include the cost delivered of gasoline or other fuel used by aircraft engines in transportation service. This account *shall not include* the cost of motor fuel for flights described in note under account No. 204, "Flying Personnel." (See special instruction, secs. 8 and 13, pp. 15 and 16.)

NOTE.—The cost of labor in the transportation of fuel from fuel-storage tanks to aircraft and the refueling of aircraft is chargeable to account No. 216, "Hangar Employees."

208. OIL FOR ENGINES.

This account shall include the cost delivered of engine oil used by aircraft engines in transportation service. This account *shall not include* the cost of oil for flights described in note under account No. 204, "Flying Personnel." (See special instructions, secs. 8 and 13, pp. 15 and 16.)

NOTE.—The cost of transportation of oil from storage tanks to aircraft shall be chargeable to account No. 216, "Hangar Employees."

209. GAS FOR AIRSHIPS.

This account shall include the cost, whether fully or partly manufactured at carrier's plant or purchased, of helium, hydrogen, or other gas for inflation of gas cells of airships.

NOTE.—The cost of labor incident to gassing airships is chargeable to account No. 216, "Hangar Employees."

210. WATER FOR AIRCRAFT.

This account shall include the cost delivered, as nearly as may be ascertained, of water for use aboard aircraft.

NOTE A.—This account is intended for use principally in the operation of airships where a large quantity of water is shipped for use as ballast and for other operating purposes.

NOTE B.—The cost of labor incident to servicing aircraft with water is chargeable to account No. 216, "Hangar Employees."

211. AIRCRAFT COMMUNICATION OPERATORS AND ASSISTANTS.

This account shall include the pay, or a proportionate part thereof, of aircraft or flight communication operators and their assistants when such service is performed by other than pilots; also the pay of persons receiving pay for part-time service as flight communication operators or assistants. (See special instructions, sec. 8, p. 15.)

212. AIRCRAFT COMMUNICATION SUPPLIES AND EXPENSES.

This account shall include the cost of office supplies, except stationery and printing, and other expenses incident to the operation of aircraft radio and radiophone, telephone, telegraph, teletype, or other communication service. Amounts paid as rental for aircraft communication equipment shall be included in this account. (See special instructions, sec. 8, p. 15.)

213. BERTH, CABIN, AND STATEROOM EXPENSES.

This account shall include the cost of operating and maintaining sleeping accommodations aboard aircraft. The pay and expenses, or a proportionate part thereof, of officers, agents, stewards, attendants, or other employees when such pay is directly chargeable to this class of service. The expense of laundry work, such as the cost of laundering sheets, pillowcases, towels, blankets, etc.; the cost of miscellaneous supplies, such as soap, combs, brushes, mirrors; and such other expenses as may be properly chargeable to this account. (See special instructions, sec. 8, p. 15.)

214. PASSENGER SUPPLIES AND EXPENSES.

This account shall include the cost of supplies and equipment furnished for the use of passengers on aircraft and shall include the cost of lunches or other services rendered when same are furnished gratis to passengers. The account shall include the cost of repairs and renewals of such extra conveniences and equipment that may be installed on aircraft for the use and protection of passengers. (See special instructions, sec. 8, p. 15.)

NOTE.—See account No. 254, "Buffet Service—Expense" if separate charge is made for lunches and meals furnished.

DETAILS OF ITEMS AND REPAIRS

(See special instructions, sec. 16, p. 17)

Books.	Magazines.	Seat covers.
Clocks.	Paper cups and containers.	Thermos bottles.
Field glasses.	Parachutes.	Soap.
Flying suits.	Safety belts.	Towels.
Lunches and meals.		Water and ice.

215. AIRCRAFT SUPPLIES AND EXPENSES—OTHER.

This account shall include the cost of supplies and equipment carried for use on aircraft other than those included in accounts Nos. 204 to 214, inclusive. (See special instructions, sec. 8, p. 15.)

DETAILS OF ITEMS

(See special instructions, sec. 16, p. 17)

Emergency and first-aid medical kits.
Equipment, provisions, and supplies for furnishing meals to flight crews.
Flares.
Log books.
Parts and supplies carried as extra or emergency equipment.
Renewals of light bulbs.

216. HANGAR EMPLOYEES.

This account shall include the wages, or proportionate part thereof, paid to employees engaged on work in and about hangars, airship sheds, and mooring masts incident to landing, anchoring, housing, docking and undocking aircraft, and the general care and preparation of aircraft for service and the transferring of passengers, mail, and express.

For the purpose of this classification, mooring masts complete with gear and equipment necessary for operation, shall be considered as adjuncts to or a part of airship sheds or other similar buildings located at fields.

DETAILS OF DUTIES

(See special instructions, sec. 16, p. 17)

Changing tires.	Operating mooring masts.
Cleaning, washing, and polishing.	Servicing aircraft with fuel, oil, gas, and water.
Handling baggage, express, or mail.	Transferring or directing passengers.
Inflating and deflating gas cells.	Transporting fuel and oils from storage tanks to aircraft.
Landing, docking, and undocking airships.	

217. HANGAR SUPPLIES AND EXPENSES.

This account shall include rent, including taxes assumed by the carrier, heat, light, and water for buildings or structures or parts thereof used as hangars, airship sheds, and mooring masts. The cost of miscellaneous supplies used in the operation of hangars, airship sheds, and mooring masts, and other sundry expenses incident thereto.

For the purpose of this classification, mooring masts complete with gear and equipment necessary for operation, shall be considered as adjuncts to or a part of airship sheds or other similar buildings located at fields. (See special instructions, secs. 6 and 13, pp. 14 and 16.)

ITEMS OF SUPPLIES AND EXPENSE

(See special instructions, sec. 16, p. 17)

Equipment for cleaning and washing.
Equipment for refueling and servicing aircraft.
Greases, waste, and oils, except oils for aircraft engines and motor vehicles.

NOTE.—Amounts received as subrents for buildings or parts thereof used for communication purposes shall be credited to revenue account No. 126, "Rents of Buildings and Other Properties."

218. AIRWAY COMMUNICATION OPERATORS AND ASSISTANTS.

This account shall include the pay, or a proportionate part thereof, of airway radio, telephone, telegraph, teletype, and other communication operators and their assistants; also the pay of persons receiving pay for part-time service as airway communication operators.

219. AIRWAY COMMUNICATION SUPPLIES AND EXPENSES.

This account shall include rent, including taxes assumed by the carrier, heat, light, and water for buildings or parts thereof used as airway radio and radiophone, telephone, telegraph, teletype, or other communication stations by the carrier in its transportation operations. The cost of office supplies, except stationery and printing, and other expenses incident to the operation of airway communication stations. Amounts paid as rental for airway communication equipment shall be included in this account. All tolls and charges in connection with the receipt and dispatch of commercial telephone, telegraph, cable, and radio messages are chargeable to account No. 221, "Telegraph and Telephone." (See special instructions, sec. 6, p. 14.)

NOTE.—Amounts received as subrents of buildings or parts thereof used for communication purposes shall be credited to revenue account No. 126, "Rents of Buildings and Other Properties."

220. MOTOR VEHICLE SUPPLIES AND EXPENSES.

This account shall include the cost delivered of gasoline or other motor fuels, oils, greases, and other sundry supplies and materials furnished for motor vehicles owned or rented by the carrier and used in transportation operations. It shall also include rents, including taxes assumed by the carrier, heat, light, and water for buildings or parts thereof used by the carrier for garage purposes.

Amounts paid for motor vehicles leased or rented for use in connection with transportation operations shall be included in this account.

NOTE.—The cost of motor fuel, oils, greases, and other sundries and materials furnished for use of motor vehicles owned or rented by the carrier and assigned to the traffic department or general offices shall be charged to the appropriate primary accounts under III—Traffic and Advertising, or V—General and Administrative.

221. TELEGRAPH AND TELEPHONE.

This account shall include all tolls, charges, and other costs incurred in the receipt and dispatch of telephone, telegraph, cable, and radio messages in connection with transportation operations of the carrier.

NOTE.—Expenses in connection with the receipt and dispatch of messages relating to traffic or general office should be charged to the appropriate primary accounts of those general accounts.

222. CLEARANCE AND CUSTOMS.

This account shall include the costs, both foreign and domestic, of entrance and clearance fees of aircraft, bills of health, visas, customs, inspectors' fees, stamp and other taxes, etc., necessary to the service of transportation. (See special instructions, sec. 8, p. 15.)

223. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in connection with the service of transportation. (See special instructions, sec. 13, p. 16.)

LIST OF ITEMS

(See special instructions, sec. 16, p. 17)

Binders.	Index cards.	Pens.
Blank books.	Ink.	Pins.
Blotters.	Inkwells.	Postage.
Cards, blank and printed.	Ledgers.	Rubber bands.
Clips, paper.	Letter paper.	Rubber stamps.
Dating stamps.	Paper.	Rulers.
Envelopes.	Paper baskets.	Shears.
Erasers.	Paste.	Sponge cups.
File boxes.	Pencils.	Tablets.
Forms, blank and printed.	Penholders.	Tickets.

The cost of dictionaries, periodicals, technical books, etc., shall be charged to the appropriate superintendence account.

224. INSURANCE.

This account shall include all premiums paid by the carrier for insurance of whatever kind or class on aircraft and equipment, flying personnel, passengers, and cargo, including fire, public and passenger liability, property damage, crash, etc. It shall include premiums paid on pilots' life and compensation insurance; also charges by which self-insurance is provided. (See accounts Nos. 186 and 265.) This account *does not include* expense of any insurance in connection with operation of schools and courses of instruction.

This account shall be credited with dividends paid or surplus returned to the carrier in any form by mutual insurance companies. (See special instructions, secs. 5 and 8, pp. 14 and 15.)

CLASSES OF INSURANCE

(See special instructions, sec. 16, p. 17)

Accidental damage.	Fidelity.
Airport liability.	Fire.
Burglary.	Life.
Cargo.	Passenger liability.
Collision.	Public liability.
Compensation.	Property damage.
Contingent liability.	Theft.
Crash.	Windstorm and tornado.

NOTE.—Amounts charged by a carrier for self-insurance shall be credited on its books to a reserve insurance account to which the amounts for all claims for loss covered by same shall be charged.

225. CLEARING WRECKS.

This account shall include all costs incident to the clearing of wrecks; the wages of employees while engaged in connection with wrecking service, and the cost of transferring passengers, mail, and express. The cost of transporting such equipment to shops for repairs, including amounts paid to other companies for use of trucks and other equipment. The cost of provisions or board for men clearing up or watching at wrecks.

226. DAMAGE TO PROPERTY.

This account shall include payments and expenses on account of damages to the property of others, whether by fire, collision, or other cause, with the exception of payments and expenses on account of damage to property intrusted to the carrier for transportation. It shall include, also, fines or compensation paid for interference with the business of others or violations of State, county, or municipal regulations regarding the operation of aircraft. (See special instructions, sec. 5, p. 14.)

NOTE.—Expenses incident to suits growing out of damage to property claims not otherwise provided for shall be included in account No. 264, "Law Expenses—General."

227. LOSS AND DAMAGE.

This account shall include the pay of claim agents, clerks, or other employees engaged in recording, investigating, and adjusting claims for loss or damage.

Express, freight, and valuables.—Payments made and expenses incurred on account of delay, damage, loss, or destruction, of express and freight; cost of packing and boxing damaged goods; pay and expenses of witnesses in lawsuits in connection with loss and damage claims; expenses incurred in selling refused, damaged, and unclaimed shipments; other expenses directly incident to loss and damage to express, freight, and valuables, such as pay and expenses of employees and others while engaged as witnesses in suits concerning loss and damage of express, freight, and valuables; uncollected tariff charges on unclaimed and refused shipments of express, freight, and valuables transported in accordance with shipping contract.

Money.—Payments made and expenses incurred on account of delay, damage, loss, and destruction of money, bullion, securities, or similar shipments; losses of carrier's funds or securities in transit and expenses in connection therewith; payment of express charges to others on account of lost, damaged, or delayed shipments; pay and expenses of witnesses in lawsuits in connection with loss and damage claims; other expenses directly incident to loss and damage of money, bullion, securities, or similar shipments, such as pay and expenses of employees and others while engaged as witnesses in suits concerning loss and damage of money, bullion, securities, or similar shipments and uncollected tariff charges on unclaimed and refused shipments of money transported in accordance with contract of shipment.

To this account shall be credited insurance recovered on damaged or destroyed shipments, proceeds from the sale of freight and valuables refused, damaged, or unclaimed, and amounts of cash in unclaimed packages. (See special instructions, sec. 5, p. 14.)

NOTE.—Expenses incident to suits growing out of loss and damage claims not otherwise provided for shall be included in account No. 264, "Law Expenses—General."

228. INJURIES TO PERSONS.

This account shall include payments and expenses on account of injuries to persons which occur directly in connection with transportation. To this account shall be charged services of employees and others called in consultation in relation to the adjustment of personal injury claims; pay and expenses of employees while engaged as witnesses at inquests and lawsuits in connection with such claims; and salary allowances to employees while absent from duty on account of injuries received while on duty.

To this account shall be credited casualty or employees liability insurance collected. (See special instructions, sec. 5, p. 14.)

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Artificial limbs.
Carriage fees.
Claim-adjusting services.
Compensation for injuries or death.
Final judgments, including plaintiff's court costs.
Funeral expenses.
Hospital expenses.
Medical and surgical supplies.
Medical and surgical services.
Notarial fees.
Nursing.
Railway transportation.
Undertaker's fees.
Witness's fees and expenses at inquests and lawsuits.

NOTE.—Expenses incident to suits growing out of personal injury claims and not otherwise provided for shall be included in account No. 264, "Law Expenses—General."

229. OPERATING JOINT FIELDS, STRUCTURES, AND EQUIPMENT—DR.

This account shall include the carrier's proportion of the costs incurred by another or others in the operation of joint fields, structures, facilities, and equipment used in air transportation operations.

NOTE.—The purpose of this account is to show the amounts accruing against the carrier for its proportion of the expense of operating or conducting the operations of fields, structures, facilities, and equipment when same are maintained by another or others and in the joint operation of which the carrier participates. (See special instructions, sec. 15, p. 17.)

230. OPERATING JOINT FIELDS, STRUCTURES, AND EQUIPMENT—CR.

This account shall include amounts chargeable to another or others as their proportion of expenses incurred by the carrier in the operation of joint fields, structures, facilities, and equipment used in transportation operations or charges to property accounts in connection with construction or placing in operation of new equipment for joint use.

Only charges in reimbursement of costs of operation should be included in this account. Any amount charged to others as a profit or as a return on investment in property should be credited to operating revenue account No. 126, "Rents of Buildings and Other Properties."

NOTE.—The purpose of this account is to show the amounts accruing in favor of the carrier in connection with operating or conducting the operations of joint fields, structures, facilities, and equipment when the same are operated by the carrier and in the joint operation of which another or others participate. (See special instructions, sec. 15, p. 17.)

231. OTHER TRANSPORTATION EXPENSES.

This account shall include all expenses in connection with transportation which are not properly chargeable to other transportation expense accounts.

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Amounts paid for incidental weather reporting, reports of accidents, etc., by other than employees.

Loss of funds by burglary when not covered by insurance.

Losses (less fidelity insurance) through embezzlement not provided for otherwise.

III. TRAFFIC AND ADVERTISING

The primary accounts included in this general account are designed to show the expenses incurred for advertising, soliciting, and securing traffic for the carrier's lines and for preparing and distributing advertising matter and tariffs governing such traffic.

241. SUPERINTENDENCE—TRAFFIC.

This account shall include the pay, or a proportionate part thereof, of officers directly in charge or engaged in supervising the procurement of traffic and the preparation and distribution of tariffs, division sheets, classifications, and advertising.

The pay, or a proportionate part thereof, of clerks and other employees in the offices of officers whose pay, or a proportionate part thereof, is chargeable to this account.

Office and other expenses, or a proportionate part thereof, including heat, light, travel, and miscellaneous office supplies and expenses, of officers and employees whose pay is chargeable to this account.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, sec. 16, p. 17)

Atlases and maps.
Express charges.
Fees and dues in commercial and other clubs.
Heating.
Lighting.
Periodicals and newspapers.
Rent of offices.
Repairs of rented offices.
Telegraph service.
Telephone service.
Traveling expenses.
Water and ice.

NOTE A.—It is not intended that any portion of expenses of general offices shall be charged to this account. The office expenses of employees designated above who have offices in general office buildings shall be included in the appropriate primary accounts under the General Account V—General and Administrative.

NOTE B.—When officers designated above have supervision over more than one department their salaries, the pay of their clerks and attendants, and their office and other expenses shall be apportioned equitably among the departments over which they have jurisdiction.

NOTE C.—The pay and expenses of officers engaged exclusively in soliciting traffic are chargeable to account No. 243, "Outside Agencies."

NOTE D.—The cost of stationery for traffic offices is chargeable to account No. 244, "Stationery and Printing."

242. ADVERTISING.

This account shall include the cost of advertising and publicity, *except* postage, for the purpose of securing traffic, pay, and traveling expenses of advertising agents; also donations to carnivals, local development associations, and other gatherings and activities when made for the purpose of increasing traffic.

The cost of advertising and publicity in connection with the operation of schools and courses of instruction shall be included in account No. 256, "Other Miscellaneous Operations."

ITEMS OF ADVERTISING EXPENSE

(See special instructions, sec. 16, p. 17)

Advertisements in cars.
Advertisements in newspapers.
Advertisements in periodicals.
Bulletin boards and cards.
Card cases.
Display and other advertising cards.
Distributing folders.
Distributing general notices to shippers.
Distributing time-tables.
Dodgers.
Express charges.
Handbills.
Maps used for advertising.

Pamphlets.
Photographs and views.
Posters.
Publishing advertising matter.
Publishing folders.
Publishing notices to shippers.
Publishing time-tables.
Subscriptions to newspapers and magazines.

243. OUTSIDE AGENCIES.

This account shall include the pay and the office, traveling, and other expenses, *except* postage, of commercial, city, and district agents and others soliciting traffic, the employees of their offices and traveling agents and solicitors located on or off the carrier's route.

Commissions paid to agents, branch agents, and others for selling tickets, exchange orders, or other transportation paper, except commissions paid in lieu of salaries to carrier's agents located upon the carrier's own route (which shall be charged to account No. 203, "Airport Employees"), shall be included in this account.

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Books for office use.
Express charges.
Furniture repairs and removals.
Heating.
Lighting.
Membership fees and dues in agency associations and commercial clubs.
Office supplies.
Periodicals and newspapers.
Rent of offices.
Repairs of rented offices.
Telephone and telegraph service.
Water and ice.

244. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in connection with securing of traffic, including the cost of tariffs governing such traffic. (See special instructions, sec. 13, p. 16.)

ITEMS OF STATIONERY AND PRINTING

(See special instructions, sec. 16, p. 17)

Binders.
Blank books.
Blotters.
Calendars.
Cards.
Clips, paper.
Dating stamps.
Envelopes.
Erasers.
File boxes.
Forms.
Index cards.
Ink.
Ink wells.
Ledgers.
Letter paper.
Mucilage.
Paper baskets.
Pencils.
Penholders.
Pens.
Pins.
Rubber bands.
Rubber stamps.
Rulers.
Shears.
Sponge cups.
Tape.
Tariffs.

245. POSTAGE.

This account shall include all postage and postal charges incurred in connection with advertising and publicity for the purpose of securing traffic. (See special instructions, sec. 13, p. 16.)

246. OTHER TRAFFIC EXPENSES.

This account shall include all expenses in connection with traffic not properly chargeable to other traffic accounts.

IV. MISCELLANEOUS OPERATIONS

The primary accounts included in this general account are designed to show the expenses incurred by the carrier in miscellaneous operations.

Note carefully special instructions, section 14, page 16.

251. MOTOR FUELS AND OILS—SALES EXPENSE.

This account shall include the cost of sales of motor fuels and oils when the revenue from such sales is credited to revenue account No. 120, "Motor Fuels and Oils, Sales." It shall include the cost of gasoline or other motor fuel; engine, motor vehicle, and other lubricating oils, greases, and compounds; helium, hydrogen and other lifting gas, when sales are from supplies maintained by the carrier for its own use. It shall also include the pay or the proportionate part thereof of employees engaged in supervising and making sales and a proportionate part of other costs, such as repairs to equipment, small parts and fixtures, etc., as may be properly chargeable to this account.

252. REPAIRS AND SERVICE—EXPENSE.

This account shall include the cost of inspection, repair, service, rebuild and overhaul operations when the revenue from same is credited to revenue account No. 121, "Repairs and Service." It shall include the pay, or the proportionate part thereof, of employees whose time is used in supervising or making repairs and those engaged in rebuilding and overhaul jobs and general service to aircraft or motor vehicles of others; the cost of materials and parts furnished from stocks and a proportionate part of other costs, such as repairs or small parts and fixtures, watchman services, hangar repairs, etc., as may be properly chargeable to this account.

253. SPECIAL FLIGHTS—EXPENSE.

This account shall include all expenses incurred incident to special flights when the revenue from same is credited to revenue account No. 110, "Special Flights." It shall include the pay, or a proportionate part thereof, of pilots and other flying or ground personnel, the cost of fuel and oil consumed, and such other costs for use of facilities and materials and supplies used as may be properly chargeable to this account for services performed in connection with such special flights.

254. BUFFET SERVICE—EXPENSE.

This account shall include the cost of buffet and dining service on aircraft, whether such service is operated by the carrier or others. It shall include a proportionate charge for superintendence and the salaries of stewards, cooks, and waiters, provisions and supplies, laundry, stationery and printing, and such other expenses as may be properly chargeable to this service. The cost of repairs to equipment and renewals of kitchen, serving, and dining equipment, including linen, silver, glassware, and chinaware, is chargeable to this account. (See Note A, account No. 122, "Buffet Service—Revenue," p. 5.)

NOTE A.—The cost of buffet service or ready-to-serve lunches furnished but not served by others under contract or other agreement shall be charged to this account. Revenue from the operation of buffet service shall be credited to revenue account No. 122, "Buffet Service—Revenue."

NOTE B.—The cost of meals furnished gratis should be charged to account No. 214, "Passenger Supplies and Expenses."

255. HOTELS AND RESTAURANTS.

This account shall include the cost of operating hotels, restaurants, and lunch counters when the revenue from same is credited to revenue account No. 123, "Hotels and Restaurants," and the cost of the property is includable in the real property and equipment accounts of the carrier. It shall include the pay, or a

proportionate part thereof, for superintendence and of employees, such as managers, stewards, storekeepers, checkers, clerks, cooks, kitchen help, porters, hat and cloak attendants, waiters, waitresses, and others employed in operating hotels, restaurants, and lunch counters; fuel for cooking and heating purposes; supplies and all provisions for operating the service; stationery and printing, lighting, and such other items of expense not otherwise specifically provided for in this account.

256. OTHER MISCELLANEOUS OPERATIONS EXPENSES.

This account shall include all expenses incident to the use of personnel, property, materials and supplies, and the cost of operation of facilities, including rent, insurance and taxes, and wages, salaries and commissions paid when the revenue from same is included in revenue accounts No. 111, "Other Air Service," and No. 127, "Miscellaneous," and when the cost of the facilities used and the materials and supplies consumed are includable in real property and equipment account No. 614, "Other Equipment," and they are operated or used for the benefit of the carrier and others. The proportion assignable to commercial operations only shall be included in this account.

The details of this account shall be so kept as to show separately the charges to this account for the following: (1) Schools and courses of instruction, (2) other.

NOTE.—Particular attention is directed to special instructions, sections 13 and 14, page 16.

V. GENERAL AND ADMINISTRATIVE

The primary accounts included in this general account are designed to show expenses of a general character, not immediately chargeable to I. Maintenance of Fields, Structures, and Equipment; II. Conducting Transportation; III. Traffic and Advertising; or IV. Miscellaneous Operations; also for general administration and supervision of the carrier's business and finances.

261. SALARIES AND EXPENSES OF GENERAL OFFICERS.

This account shall include the salaries and the traveling expenses and other expenses of all general officers and all other officers whose jurisdiction extends over the entire system or all departments and whose salaries and expenses may not properly be allocated to another departmental or other appropriate account. It will also include salaries and fees of receivers, and commissions and directors' fees paid to general officers in lieu of salaries.

LIST OF OFFICERS

(See special instructions, sec. 16, p. 17)

- Chairman of the board.
- President.
- Vice president.
- Assistant to president.
- Assistants to vice presidents.
- Secretary.
- General manager.
- General superintendent.
- Chief engineer.
- Treasurer.
- Purchasing agent.
- Comptroller.
- General auditor.
- Auditors of general accounts.
- General accountants.

NOTE A.—When officers' duties are restricted to a single department their salaries and expenses shall be charged to that department in the accounts for superintendence. When officers have immediate supervision over more than one operating department their salaries and expenses shall be apportioned equitably among the departments over which they have jurisdiction.

NOTE B.—The pay and expenses of the purchasing agent, general storekeeper or division storekeeper, their clerks and attendants may be charged through a clearing account. (See special instructions, sec. 9, p. 15.)

262. SALARIES AND EXPENSES OF GENERAL OFFICE EMPLOYEES.

This account shall include the pay and the traveling and incidental expenses of clerks and other employees of the officers whose salaries are includable in account No. 261, "Salaries and Expenses of General Officers."

LIST OF PERSONNEL

(See special instructions, sec. 16, p. 17)

- Auditors.
- Bookkeepers.
- Cashiers.
- Chief clerks.
- Clerks.
- Messengers.
- Stenographers.
- Telephone operators.
- Traveling auditors.

263. GENERAL OFFICE SUPPLIES AND EXPENSES.

This account shall include the rent and office expenses incurred in connection with the operation of general offices. The account shall include expenses of renting, heating, and lighting general offices; repairs to general office furniture and equipment; the cost of office supplies, except stationery and printing, and other expenses incident to the operation and upkeep of general offices.

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

- Atlases and maps.
- Books for office use.
- Cable tolls.
- Cleaning offices.
- Express and freight charges.
- Furniture repairs and renewals.
- Heating.
- Lighting.
- Local messenger service.
- Periodicals and newspapers.
- Rent of general offices.
- Rent of mechanical bookkeeping and statistical equipment.
- Reports of commercial standing.
- Telegraph and telephone service.

NOTE.—The proportion of general office expenses occasioned by the law department shall be included in account No. 264, "Law Expenses—General."

264. LAW EXPENSES—GENERAL.

This account shall include the pay, traveling expenses, and the office and other expenses, when not provided for elsewhere, of officers and employees of the law department, the cost of suits, and the payments of special law fees.

LIST OF OFFICERS AND EMPLOYEES

(See special instructions, sec. 16, p. 17)

- General counsel.
- Solicitor.
- Commerce counsel.
- Special counsel.
- Attorneys and assistants.
- Clerks.
- Stenographers.

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Arbitrators' services.
Cost of taking depositions.
Cost of testimony.
Cost of suits.
Court expenses.
Fees and retainers of attorneys (not regular employees).
Law books.
Legal forms and reports.
Notarial fees not provided for elsewhere.
Special fees.
Telegraph and telephone service.
Traveling expenses.
Witnesses' fees not provided for elsewhere.

NOTE.—See notes under accounts No. 185, "Injuries to Persons"; 226, "Damage to Property"; 227, "Loss and Damage"; and 228, "Injuries to Persons."

265. INSURANCE.

This account shall include premiums paid by the carrier for insurance in connection with burglary and theft insurance, fidelity and contract bonds, life and compensation insurance, and such other premiums of like character, including charges by which self-insurance is provided that are not chargeable to accounts 186 and 224. *Except* that this account shall not include premiums paid on any insurance in connection with the operation of schools and courses of instruction.

This account shall be credited with dividends paid or surplus returned to the carrier in any form by mutual insurance companies. (See special instructions, sec. 5, p. 14.)

NOTE.—Where the general offices of the carrier are not located at airports, or insurance on same is otherwise separable therefrom, all premiums for insurance on buildings, property, equipment, etc., relating to such general offices shall be chargeable to this account.

266. PENSIONS AND WELFARE.

This account shall include pensions or gratuities paid out of company funds to retired employees, or incapacitated employees, or to the heirs of deceased employees and the expenses solely in connection therewith.

This account shall include the pay of employees and the expenses incurred in conducting accident prevention, relief and welfare work; also contributions made to the welfare fund, and the cost of life and benefit insurance for employees. (See special instructions, sec. 5, p. 14.)

267. STATIONERY AND PRINTING.

This account shall include the cost of stationery and printing used in general offices and not chargeable to other accounts.

ITEMS OF EXPENSE AND SUPPLIES

(See special instructions, sec. 16, p. 17)

Binders.
Blank books.
Blotters.
Calendars.
Carbon paper.
Cards, blank and printed.
Clips, paper.
Dating stamps.
Envelopes.
Erasers.
File boxes.
Forms, blank and printed.
Index cards.
Ink.
Inkwells.
Letter paper.
Paper.
Paper baskets.
Paste.
Pencils.
Penholders.
Pens.
Pins.
Postage.
Rubber stamps.
Rubber bands.
Rulers.
Shorthand books.
Sponge cups.
Tablets.

268. GENERAL JOINT FACILITIES—DR.

This account shall include the carrier's proportion of general and administrative expenses incurred by another or others incident to the joint maintenance and operation of fields, structures, facilities, and equipment used in transportation operations where it is impracticable to allocate such expenses to the "joint expense" debit accounts under I. Maintenance of Fields, Structures, and Equipment; or II. Conducting Transportation.

NOTE.—The purpose of this account is to show the amount accruing against the carrier for its proportion of the expense of general administration of fields, structures, facilities, and equipment, and other facilities administered by another or others, and in the joint use of which the carrier participates. (See special instructions, sec. 15, p. 17.)

269. GENERAL JOINT FACILITIES—CR.

This account shall include the amounts chargeable to another or others as their proportion of general and administrative expenses incurred by the carrier incident to the joint maintenance and operation of fields, structures, facilities, and equipment used in transportation operations, or in connection with costruction or placing in operation of new equipment for joint use where it is impracticable to allocate such expenses to the "joint expense" credit accounts under I. Maintenance of Fields, Structures, and Equipment, and II. Conducting Transportation.

Only charges in reimbursement of costs of maintenance and operation should be included in this account. Any amount charged to others as a profit or as a return on investment in property should be credited to operating revenue account No. 126, "Rents of Buildings and Other Property."

NOTE.—The purpose of this account is to show the amounts accruing in favor of the carrier in connection with the expense of general administration of fields, structures, facilities, equipment, and other facilities administered by the carrier, and in the joint use of which another or others participate. (See special instructions, sec. 15, p. 17.)

270. OTHER GENERAL OFFICE EXPENSES.

This account shall include incidental general expenses not chargeable to any of the foregoing accounts.

ITEMS OF EXPENSE

(See special instructions, sec. 16, p. 17)

Annual reports in newspapers.
Corporate and financial notes of general character.
Donations on account of catastrophes, epidemics, etc.
Fees and expenses paid to directors.
Filing copy of reports.
Notices of dividends declared.
Notices of election of directors.
Notices of stockholders' meetings.

CLASSIFICATION OF INCOME ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

		Page
SEC. 1.	Income accounts defined	51
2.	Delayed income items	51
3.	Taxes	51
4.	Form of income statement	52

GENERAL AND PRIMARY INCOME ACCOUNTS AND FORM OF INCOME STATEMENT

	Page
I. Income from Operations.	
301. Revenue from transportation (Cr.)	53
302. Revenue from operations other than transportation (Cr.)	53
Total operating revenues.	
303. Operating expenses (Dr.)	53
Net operating income.	
304. Taxes assignable to operations (Dr.)	53
305. Uncollectible revenues (Dr.)	54
Net income from operations.	
II. Nonoperating Income.	
306. Net income from miscellaneous physical property	54
307. Interest on long-term debt owned	54
308. Income from special funds	55
309. Dividend income	55
310. Amortization of premium on debt	55
311. Miscellaneous nonoperating income	55
Total nonoperating income.	
Gross income.	
III. Deductions from Gross Income.	
318. Net loss on miscellaneous physical property	55
319. Miscellaneous rents and taxes	56
320. Interest on long-term debt	56
321. Miscellaneous interest deductions	56
322. Amortization of debt discount and expense	56
323. Miscellaneous deductions from gross income	56
Total deductions from gross income.	
Net income.	
IV. Disposition of Net Income.	
328. Sinking fund appropriations	57
329. Dividend appropriations of income	57
330. Miscellaneous appropriations of income	57
Total appropriations.	
Balance transferred to profit and loss.	

CLASSIFICATION OF INCOME ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

Section 1. Income accounts defined.—Income accounts are designed to show, for each fiscal period, the total amount of money that the carrier becomes entitled to receive from its operations, the returns accrued upon investments, the accrued costs paid or payable for its operations, the amounts accrued for taxes, the use of moneys and for the use of the properties of others, the appropriations made from income during the period, and the gains and losses sustained by it. Any change in the items shown on a balance sheet at the end of such a period, as compared with a balance sheet at the beginning of such a period, which is not merely a transfer from one balance sheet account to another—that is to say, any transaction which affects the profit and loss balance must be explained by the income accounts or by the profit and loss accounts. When the title and definition of an income account clearly indicates that it is a summary of other accounts, it is not required that a special ledger account shall be kept under such a title to include the balances from the accounts usually carried in the ledger, but in such case the titles of the subaccounts in the ledger shall give a reference by number or title, or both, to the account prescribed herein, of which they are subdivisions.

Sec. 2. Delayed income items.—The entries to the income accounts prescribed herein should, so far as practicable, be made upon an accrual basis. In case, however, an income debit or credit item is not recorded in the accounts for the period for which the income account is stated it should be included in the income account for the period in which the entry relating thereto is recorded, unless the amount of such delayed item is relatively so large that its inclusion in the income account for a single accounting period would result in a seriously abnormal income statement, in which case such delayed item may be included in profit and loss. (See special instructions for profit and loss accounts, sec. 2, p. 61.)

Sec. 3. Taxes.—(*a*) The taxes to be accounted for in the income accounts herein prescribed include State, county, township, city, school, road, annual franchise, and other similar taxes or assessments; also all income taxes and other *annual* assessments required to be paid under the provisions of Federal tax laws. Miscellaneous taxes, such as excise taxes on aircraft, motor vehicles and accessories therefor; stamp taxes on bonds, notes, stock certificates, etc., should be included in other appropriate accounts. As a matter of general practice, such taxes should be included in the account chargeable with the expenditure in connection with which the taxes are paid. The cost of revenue stamps affixed to bonds or other form of long-term debt or to the indenture securing such debt should be considered as debt expense and accounted for accordingly, and the cost of revenue stamps for notes, etc., includable in balance sheet account No. 536, "Loans and Notes Payable," should be charged to operating expense account No. 270, "Other General Office Expenses."

(*b*) Special assessments levied by public authorities on the basis of benefits for streets and other public improvements, such as new roads, bridges, sewers, pavements, curbings, etc., should not be classed as taxes, but should be included

as a part of the cost of the property benefited. (See special instructions for "Land," p. 91.)

(*c*) Taxes applicable to the period of construction of buildings, hangars, etc., should be charged to the appropriate real property and equipment account.

Sec. 4. Form of income statement.—A summary statement of income accounts arranged in convenient form to show the accounting history of a given period is usually called collectively the "Income account" or "Income statement." The form in which the income account is stated is generally of importance as affecting the conclusions that may be drawn concerning the results attending the operation of the enterprise. The form adopted for the purpose of this classification is shown on page 49.

TEXT PERTAINING TO INCOME ACCOUNTS

I. INCOME FROM OPERATIONS

301. REVENUE FROM TRANSPORTATION.

This account shall include charges for transportation service, as shown in general accounts I. Transportation, and II. Air Service, provided in the classification of operating revenues.

302. REVENUE FROM OPERATIONS OTHER THAN TRANSPORTATION.

This account shall include revenue from services shown in general account III. "Incidental," provided in the classification of operating revenues.

303. OPERATING EXPENSES.

This account shall include the total expenses of airway transportation operations as shown in the accounts provided in the classification of operating expenses.

304. TAXES ASSIGNABLE TO OPERATIONS.

This account shall include the amount of taxes accrued during the period for which the income account is stated, applicable to air transportation operations, whether based upon the valuation of the property, amount of stocks and bonds issued or outstanding, gross or net earnings, dividends declared, or other basis. (For designation of taxes to be included in income accounts, see special instructions, sec. 3, p. 51.)

Taxes assignable to property not in use in the service of transportation or facilities operated in connection therewith, or taxes assignable to property, the investment in which is carried in balance sheet account No. 502—"Miscellaneous Physical Property," shall not be included in this account.

This account shall be charged at regular monthly accounting periods with the proportion of taxes applicable to such period and the "Tax Liability Account" (see balance-sheet account No. 543, "Taxes Accrued") concurrently credited. If the exact amount of the annual taxes is not known, it shall be estimated and a proper share of the estimated amount shall be charged for each accounting period. From time to time during the year, as the actual tax levies become known, the periodic charges shall be adjusted so as to include as nearly as practicable the total amount of the taxes in the period to which they apply.

This account should be divided to show—

(*a*) Ordinary taxes, such as State, county, township, city, school, road, annual franchise, and other similar taxes.

(*b*) Income taxes, such as Federal income, State income, and other similar annual assessments under Federal or State so-called "income" tax laws.

NOTE A.—Income taxes levied upon bondholders and assumed by the carrier under the terms of the mortgage shall not be included in this account, but in account No. 319, "Miscellaneous Rents and Taxes."

NOTE B.—Special assessments for street and other improvements, and special benefit taxes, such as water taxes and the like, shall be included in operating expense accounts or investment accounts, as may be appropriate.

NOTE C.—Taxes on property leased shall be charged to the appropriate tax account by the party which, under the terms of the lease agreement, is obligated to pay such taxes. If the other party to the lease, as a matter of convenience or otherwise, pays the taxes to the Government authority, such payments shall not enter its tax account, but shall be charged directly to the party liable under the lease agreement for the payment of the taxes.

305. UNCOLLECTIBLE REVENUES.

This account shall include the amount of uncollected revenue charges against individuals and companies representing tariff charges or charges otherwise contracted or agreed upon for transportation or other service rendered when such amounts have been, during the period for which the income account is stated, determined to be uncollectible. If bills so written off are afterwards collected, the amount received shall be credited to this account.

NOTE A.—This account shall not be construed to relieve the carrier from its responsibility to collect the lawfully established rates.

NOTE B.—This account shall not include charges for service if it has not been performed in accordance with the contract and which, on that account, are not lawfully collectible from companies or individuals, such as charges on lost or destroyed express or freight shipments.

NOTE C.—Uncollectible charges on unclaimed and refused express, money, or valuables shall be charged to account No. 227, "Loss and Damage."

NOTE D.—Charges to this account may be made on the basis of the estimated average loss due to uncollectible amounts, in which case the concurrent credit shall be to a special subaccount under balance-sheet account No. 552, "Miscellaneous Reserves." To the reserve thus established shall be charged such accounts as are determined to be uncollectible. When charges for uncollectible accounts are thus made by estimate, the estimate shall be adjusted at the end of each fiscal period to conform to the expenses of the carrier, as determined by an analysis of its accounts receivable.

II. NONOPERATING INCOME

306. NET INCOME FROM MISCELLANEOUS PHYSICAL PROPERTY.

This account shall include the net credit balance of the revenues or income from, and the expenses (including depreciation, rents and taxes) of physical property the cost of which is carried in balance-sheet account No. 502, "Miscellaneous Physical Property."

NOTE.—If the net balance is a debit, it shall be shown under account No. 318, "Net Loss on Miscellaneous Physical Property."

307. INTEREST ON LONG-TERM DEBT OWNED.

This account shall include interest accruing to the carrier upon securities of others and of National, State, or municipal governments, the income from which is the property of the accounting carrier, whether such securities are owned by the accounting carrier and held in its treasury, deposited in trust, or controlled through lease or otherwise. Interest accrued shall not be credited unless its payment is reasonably assured by past experience, guaranty, anticipated provision, or otherwise. In other cases the credit to this account shall be based upon the interest actually collected.

Interest on securities of other companies held in sinking or other reserve funds shall be included in account No. 308, "Income from Special Funds."

At the option of the accounting carrier there may be included in this account the portion, applicable to the accounting period, of the amount requisite to extinguish during the interval between the date of acquisition and the date of maturity the discount or premium on securities of other companies owned.

NOTE A.—Amounts credited or charged for the purpose of extinguishing discount or premium shall be concurrently charged or credited to the account in which the cost of the securities is carried.

NOTE. B.—The term *securities*, as here used, means all unmatured bonds, notes, and other evidences of indebtedness (except open accounts for advances), none of which, by the terms of the creation of the debt, matures until more than one year after the date of such creation.

NOTE C.—This account shall not include interest on securities issued or assumed by the accounting carrier and owned by it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other reserve funds.

NOTE D.—Discounts on bills for materials and supplies purchased shall be credited to Account No. 311, "Miscellaneous Nonoperating Income."

308. INCOME FROM SPECIAL FUNDS.

This account shall include income (whether interest or dividends), accrued on cash, securities, and other assets held in sinking and other special funds. (See account No. 320, "Interest on Long-Term Debt"; No. 329, "Dividend Appropriations of Income"; and Profit and Loss Account No. 411, "Dividend Appropriations of Surplus.")

This account covers all income from investment of special funds whether required to be retained in the fund or not. If such income is required to be retained in the fund and the fund required to be represented by a reserve, the amount of such accretions to the fund shall be concurrently credited to the appropriate reserve account and charged to account No. 328, "Sinking Fund Appropriations," or account No. 330, "Miscellaneous Appropriations of Income," as may be appropriate.

At the option of the accounting carrier there may be included each month or year in this account the portion, applicable to the fiscal period, of the amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the discount or premium on securities of other companies held in sinking and other reserve funds.

NOTE.—Amounts credited or charged for the purpose of extinguishing discount or premium shall be concurrently charged or credited to the account in which the cost of the securities is carried.

309. DIVIDEND INCOME.

This account shall include income (whether interest or dividend) accrued on airway carrier and other stocks the income from which is the property of the accounting carrier, whether such stocks are owned by the accounting carrier and held in its treasury or deposited in trust or are controlled through lease or otherwise. Accruals of guaranteed dividends may be included in this account if their payment is reasonably assured.

NOTE A.—This account shall not include credits for dividends on stocks issued or assumed by the accounting carrier and owned by it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other funds.

NOTE B.—Dividend income on stocks of other companies held in sinking or other reserve funds shall be credited to account No. 308, "Income from Special Funds."

310. AMORTIZATION OF PREMIUM ON DEBT.

This account shall include during any accounting period such proportion of the premium on outstanding debt obligations as may be applicable to that period. The proportion shall be determined in accordance with special instructions for balance-sheet accounts, section 4, (f), page 72.

NOTE.—The amounts credited to this account shall be concurrently charged to account No. 546, "Unamortized Premium on Debt," in which account the respective premiums are carried.

311. MISCELLANEOUS NONOPERATING INCOME.

This account shall include all income accruing to the carrier in accordance with the terms of any contract by which the carrier is entitled to participate in the profits resulting from the operations of others and all other nonoperating income not provided for in any of the foregoing accounts, Nos. 306 to 310, inclusive. It shall include discounts on materials and supplies purchased, interest on bank balances, etc.

NOTE.—"Profits from the operations of others" does not include any dividends on stock. Income from dividends should be credited to account No. 309, "Dividend Income," or account No. 308, "Income from Special Funds."

III. DEDUCTIONS FROM GROSS INCOME

318. NET LOSS ON MISCELLANEOUS PHYSICAL PROPERTY.

This account shall include the net debit balance of the revenues or income from and the expenses (including depreciation, rents and taxes) of physical

property the cost of which is carried in balance-sheet account No. 502, "Miscellaneous Physical Property."

NOTE.—If the net balance is a credit, it shall be shown under account No. 306, "Net Income from Miscellaneous Physical Property."

319. MISCELLANEOUS RENTS AND TAXES.

This account shall include rents accrued on property owned by others but used by the carrier, when such rents are not properly chargeable to other accounts.

This account shall include accruals for taxes not provided for elsewhere, such as taxes on securities owned, taxes on income from securities owned, etc.

The details of this account shall be so kept that the total accruals for rents and for taxes may be separately determined.

NOTE A.—This account shall not include rents provided for in the classification of operating expenses.

NOTE B.—If property the rent of which is chargeable to this account is sublet by the accounting carrier to others, the rent from the sublease shall be credited to account No. 311, "Miscellaneous Nonoperating Income."

320. INTEREST ON LONG-TERM DEBT.

This account shall include the current accruals of interest on all classes of unmatured debt (as defined in balance-sheet account No. 533, "Long-Term Debt"), issued or assumed by the accounting carrier, and also the interest on debenture stocks and on receivers' certificates issued for a term of more than one year. This account does not include charges for interest on debt obligations issued or assumed by the accounting carrier and owned by it, whether pledged as collateral or held free for sale, but may include interest on any securities issued or assumed by the carrier and held in sinking or other special funds. (See account No. 308, "Income from Special Funds.")

NOTE.—The amount charged to this account shall be concurrently credited to account No. 544, "Interest Accrued," to which account shall be debited payments made on account of interest.

321. MISCELLANEOUS INTEREST DEDUCTIONS.

This account shall include interest on all short-term obligations of the carrier, such as notes or loans payable on demand or having dates of maturity one year or less from date of issue, on unpaid taxes or other accounts payable, and analogous items. It shall also include interest on advances from affiliated companies (see balance-sheet account No. 535, "Advances from Affiliated Companies"), and interest on receivers' certificates which mature in one year or less after date of issue.

322. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE.

This account shall be charged during any accounting period with the proportion of the discount and expense on outstanding debt obligations applicable to that period. This proportion shall be determined according to a rule the uniform application of which through the interval between the date of sale and the date of maturity will extinguish the discount and expense on long-term debt. The charge to this account for any period shall not be either greater or less than the proportion applicable to that period, so long as any portion of the discount and expense remains unextinguished. (See special instructions for balance-sheet accounts, sec. 4, (f) p. 72.

NOTE.—The amounts charged to this account shall be concurrently credited to the discount and premium accounts in which the respective discounts are carried.

323. MISCELLANEOUS DEDUCTIONS FROM GROSS INCOME.

This account shall include all contractual or other deductions from gross income not provided for in any of the foregoing accounts. It shall include the amount of uncollected revenue charges against individuals and companies

for foreign and nontransportation services when, during the period for which the income account is made, such amounts have been determined to be uncollectible, and shall include all items properly chargeable to income account for the current accounting period and not provided for elsewhere. This account covers unsecured accruals of obligations arising under contracts whereby the carrier has guaranteed the annual or more frequent periodic payments of money or performance of other obligation on the part of another corporation or person and because of the default of such other corporation or person the liability of the carrier has become actual; losses resulting from the operations of others whenever in accordance with the terms of any contract the carrier is bound to contribute toward reimbursement of such losses.

IV. DISPOSITION OF NET INCOME

328. SINKING FUND APPROPRIATIONS.

This account shall include amounts applied to sinking and other reserve funds from income for the purpose of retiring or reducing the long-term debt or other obligations of the carrier whether such amounts are definite appropriations from income under the terms of mortgages, deeds of trust, or other contracts that provide for such allotments or payments, or are accretions representing interest or other returns accrued on the contents of such funds and required to be retained therein. (See account No. 308, "Income from Special Funds.")

NOTE A.—The amounts charged to this account shall be concurrently credited to the appropriate balance-sheet accounts.

NOTE B.—Appropriations for direct payments made from surplus shall be charged to account No. 410, "Appropriations to Reserves."

329. DIVIDEND APPROPRIATIONS OF INCOME.

This account shall include amounts definitely declared payable as dividends out of income, for the period for which the income account is stated on actually outstanding stock issued or assumed by the accounting carrier. If a dividend is not payable in cash, the consideration shall be described in the entry with sufficient particularity to identify it.

This account shall be subdivided so as to show separately the dividends on the various classes of capital stock. (See definition of the several classes of capital stock in balance-sheet account No. 531, "Capital Stock," p. 81.)

This account shall not include charges for dividends on capital stock issued or assumed by the accounting carrier and owned by it, whether pledged as collateral or held free for sale, but may include dividends on stock issued or assumed by the carrier and held in sinking or other special funds. (See account No. 308, "Income from Special Funds.")

NOTE A.—The amount charged to this account shall be concurrently credited to balance-sheet account No. 540, "Dividends Declared," to which account shall be debited payments made on account of dividends.

NOTE B.—This account shall be used when the appropriations are definitely made chargeable to income. Similar appropriations made from surplus shall be charged to account No. 411, "Dividend Appropriations of Surplus."

330. MISCELLANEOUS APPROPRIATIONS OF INCOME.

This account shall include amounts definitely appropriated from income to provide a reserve for doubtful accounts and other amounts appropriated from income and not provided for in accounts Nos. 328 and 329. This covers appropriations of income to special fund reserves and for additions and betterments. (See account No. 308, "Income from Special Funds.")

NOTE.—Similar appropriations from surplus shall be charged to account No. 412, "Miscellaneous Debits to Profit and Loss."

17339—31——5

CLASSIFICATION OF PROFIT AND LOSS ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

		Page
SEC. 1.	Profit and loss accounts defined	61
2.	Delayed income items	61

GENERAL AND PRIMARY PROFIT AND LOSS ACCOUNTS AND FORM OF PROFIT AND LOSS STATEMENT

I. CREDITS.		
401.	Credit balance at beginning of fiscal period	63
402.	Credit balance transferred from income	63
403.	Profit on equipment sold	63
404.	Delayed income credits	63
405.	Miscellaneous credits to profit and loss	63
	Total credits.	
II. DEBITS.		
407.	Debit balance at beginning of fiscal period	64
408.	Debit balance transferred from income	64
409.	Delayed income debits	64
410.	Appropriations to reserves	64
411.	Dividend appropriations of surplus	64
412.	Miscellaneous debits to profit and loss	64
	Total debits.	
	Balance transferred to balance sheet statement (account No. 556).	

CLASSIFICATION OF PROFIT AND LOSS ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

Section 1. Profit and loss accounts defined.—(*a*) The profit and loss accounts is the collective title for a small group of accounts which form the connecting link between the income account and the balance sheet. Its principal function is to explain the changes in the corporate surplus or deficit during each fiscal period resulting from the operations and business transactions during that period, as well as changes effected by appropriations of surplus made at the option of the carrier, by accounting adjustments not properly attributable to the period, or by miscellaneous losses or gains not provided for elsewhere, and to show also the unappropriated surplus of the carrier at the date of the balance sheet. A complete analysis of each of the profit and loss accounts may be required in annual reports to the department.

(*b*) When the title and definition of a profit and loss account clearly indicates that it is a summary of other accounts it is not required that a special ledger account shall be kept under such a title to include the balances from the accounts usually carried in the ledger, but in such case the titles of the subaccounts in the ledger shall give a reference by number or title, or both, to the account prescribed herein of which they are subdivisions.

Sec. 2. Delayed income items.—Delayed items are those credits and debits for revenues earned, expenses incurred, or income accrued prior to the period covered by the income account but which were not recorded currently. Such items should ordinarily be included in the appropriate operating revenue, operating expense, or income account for the period in which the entries relating thereto were actually recorded. If, however, the amount of such an item is relatively so large that its inclusion in the operating revenue, operating expense, or income account for a single month or year would result in a seriously abnormal statement of such account, and no provision has been made through accruals to reserves or suspense accounts covering such items, the carrier may include the amount in account No. 404, "Delayed Income Credits," or account No. 409, "Delayed Income Debits," as may be appropriate.

TEXT PERTAINING TO PROFIT AND LOSS ACCOUNTS

I. CREDITS

401. CREDIT BALANCE AT BEGINNING OF FISCAL PERIOD.

This account shall include the net credit balance in the profit and loss account at the beginning of the fiscal period.

402. CREDIT BALANCE TRANSFERRED FROM INCOME.

This account shall show the net credit balance brought forward from the income account for the fiscal period.

403. PROFIT ON EQUIPMENT SOLD.

This account shall include the proceeds from the sale of equipment in excess of the amount at which such property was carried in the property account.

404. DELAYED INCOME CREDITS.

This account shall show relatively large amounts pertaining to operating revenues, operating expenses, and other income accounts of previous fiscal periods when, under the provisions of section 2 of special instructions, page 61, such credits may properly be made to profit and loss.

NOTE.—All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts to which the credit would have been made had the item been accounted for during the previous fiscal period involved.

405. MISCELLANEOUS CREDITS TO PROFIT AND LOSS.

This account shall include amounts, not provided for elsewhere, transferred from other accounts to profit and loss, and amounts representing increases of resources not properly assignable to the income accounts. Among the items which shall be included in this account are:

(*a*) Credits due to cancellation of balance-sheet accounts representing unclaimed wages and vouchered accounts written off because of inability to locate the creditor, and to the cancellation or adjustment of other balance-sheet accounts when the credit is not properly includable in operating revenues, operating expenses, or other income accounts or in account No. 404, "Delayed Income Credits."

(*b*) Profit derived from the sale of investment securities or of securities or physical property, the investment in which is carried in balance-sheet account No. 504, "Other Investments."

(*c*) Profit derived from the sale of property carried in balance-sheet account No. 502, "Miscellaneous Physical Property."

(*d*) Credits resulting from adjustments required to bring to par securities issued or assumed by the accounting carrier and reacquired at a cost less than the par value, premiums received on capital stock at time of issue, when such stock is reacquired, and unreleased premiums on long-term debt reacquired before maturity. (See special instructions relating to balance-sheet accounts, secs. 3, 4, and 5, pp. 71 and 72.)

(*e*) Profits arising from the retirement of land through sale or otherwise as provided in section 4 of the special instructions relating to real property and equipment (p. 93).

(*f*) Unrefundable overcharges during the current fiscal period.

II. DEBITS

407. DEBIT BALANCE AT BEGINNING OF FISCAL PERIOD.

This account shall include the debit balance in the profit and loss account at the beginning of the fiscal period.

408. DEBIT BALANCE TRANSFERRED FROM INCOME.

This account shall include the net debit balance brought forward from the income account for the fiscal period.

409. DELAYED INCOME DEBITS.

This account shall include relatively large debit items pertaining to operating revenues, operating expenses, and other income accounts for previous fiscal periods, when, under the provisions of section 2 of special instructions, page 61, such debits may properly be included in profit and loss.

NOTE.—All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts to which the credit would have been made had the item been accounted for during the previous fiscal period involved.

410. APPROPRIATIONS TO RESERVES.

This account shall include amounts definitely appropriated from surplus and applied to sinking and other reserve funds; allotments or payments of definite amounts from surplus into sinking and other reserve funds under the terms of mortgages, deeds of trust, or other contracts; and such other appropriations of surplus as the carrier may make or set aside in amortization or other funds or accounts.

NOTE A.—The amounts charged to this account shall be concurrently credited to the appropriate balance-sheet account.

NOTE B.—Similar appropriations made from income shall be charged to account No. 328, "Sinking Fund Appropriations."

411. DIVIDEND APPROPRIATIONS OF SURPLUS.

This account shall include amounts declared payable out of accumulated surplus as dividends on actually outstanding capital stock issued or assumed by the accounting carrier. If a dividend is not payable in cash, the equivalent shall be described in the entry with sufficient particularity to identify it.

This account shall be subdivided so as to show separately the dividends on the various subclasses of capital stock. (See definition of the several subclasses in balance-sheet account No. 531, "Capital Stock," p. 81.)

This account shall not include charges for dividends on capital stock issued or assumed by the accounting carrier and owned by it, whether pledged as collateral or held free for sale, but may include dividends on stock issued or assumed by the carrier and held in sinking or other special funds. (See account No. 308, "Income from Special Funds," p. 55.)

NOTE A.—Similar appropriations made from income shall be charged to account No. 329, "Dividend Appropriations of Income."

NOTE B.—The amount charged to this account shall be concurrently credited to balance-sheet account No. 540, "Dividends Declared," to which account shall be debited payments made on account of dividends.

412. MISCELLANEOUS DEBITS TO PROFIT AND LOSS.

This account shall include amounts not provided for elsewhere chargeable to profit and loss from other accounts, amounts written off in consequence of adjustments, and payments not properly chargeable to the income accounts. Among the items which shall be charged to this account are:

(*a*) Debits due to the cancellation or adjustment of balance-sheet accounts when the debit is not properly includable in operating revenues, operating expenses, or other income account, or in account No. 409, "Delayed Income Debits."

(*b*) Losses or deficits not properly chargeable to income, such as uncollectible bills not covering revenue charges and for which no reserve has been provided.

(*c*) Losses resulting from the sale of investment securities or of securities or physical property the investment in which is carried in balance-sheet account No. 504, "Other Investments."

(*d*) Losses resulting from the sale, destruction, or abandonment of property carried in balance-sheet account No. 502, "Miscellaneous Physical Property."

(*e*) Debits resulting from adjustments required to bring to par securities issued or assumed by the accounting carrier and reacquired at a cost exceeding the par value, discount on stock remaining unextinguished at the time of its reacquirement, and unextinguished discounts on long-term debt, reacquired before maturity. (See special instructions relating to balance-sheet accounts, secs. 3, 4, and 5, pp. 71 and 72.)

(*f*) Losses, resulting from the retirement of land through abandonment, sale, or otherwise, as provided in section 4 of the special instructions relating to real property and equipment accounts (p. 93).

(*g*) Other losses or deficits not properly chargeable to income and for which no reserve has been provided.

NOTE A.—All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts affected.

NOTE B.—Uncollectible revenues should be charged to income account No. 305, "Uncollectible Revenues." Care should also be exercised in connection with the cancellation or adjustments of balance-sheet accounts involving operating revenues, operating expenses, or other income accounts to see that proper credit is made to the operating accounts affected or to income account No. 409, "Delayed Income Debits."

CLASSIFICATION OF BALANCE-SHEET ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

		Page
SEC. 1.	Balance-sheet accounts defined	71
2.	Designation of capital issues	71
3.	Discount and premium on capital stock	71
4.	Discount, expense, and premium on long-term debt	72
5.	Reacquired securities	72
6.	Book value of securities owned	73
7.	Contingent assets and liabilities	73
8.	Current assets	73
9.	Joint liabilities	74
10.	Form of balance-sheet statement	74

GENERAL AND PRIMARY BALANCE-SHEET ACCOUNTS AND FORM OF BALANCE-SHEET STATEMENT

ASSETS AND OTHER DEBITS

		Page
I. Investments.		
501.	Real property and equipment	75
502.	Miscellaneous physical property	75
503.	Investments in affiliated companies	75
504.	Other investments	76
	Total investments.	
II. Current and Accrued Assets.		
505.	Cash	76
506.	Special deposits	76
507.	Loans and notes receivable	77
508.	Traffic balances receivable	77
509.	Net balances receivable from agents	77
510.	Accounts receivable	77
511.	Materials and supplies	77
512.	Interest and dividends receivable	78
513.	Working fund advances	78
514.	Other current and accrued assets	78
	Total current and accrued assets.	
III. Special Funds.		
515.	Sinking funds	78
516.	Insurance and other reserve funds	79
517.	Other special funds	79
	Total special funds.	
IV. Deferred Debits.		
518.	Prepayments	79
519.	Discount and expense on long-term debt	79
520.	Discount on capital stock	80
521.	Other deferred debits	80
	Total deferred debits.	
V. Reacquired and Treasury Securities.		
522.	Reacquired securities	80
523.	Treasury securities	80
	Total assets and other debits.	

LIABILITIES AND OTHER CREDITS

		Page
VI. Stock.		
531.	Capital stock	81
532.	Premium on capital stock	82
	Total stock.	
VII. Long-Term Debt.		
533.	Long-term debt	82
534.	Receiver's certificates	83
535.	Advances from affiliated companies	83
	Total long-term debt.	
VIII. Current and Accrued Liabilities.		
536.	Loans and notes payable	84
537.	Traffic balances payable	84
538.	Accounts and wages payable	84
539.	Matured interest unpaid	84
540.	Dividends declared	84
541.	Matured long-term debt unpaid	84
542.	Miscellaneous current liabilities	85
543.	Taxes accrued	85
544.	Interest accrued	85
545.	Miscellaneous accrued liabilities	85
	Total current and accrued liabilities.	
IX. Deferred Credits.		
546.	Unamortized premium on debt	86
547.	Miscellaneous deferred credits	86
	Total deferred credits.	
X. Reserves.		
548.	Operating and insurance reserves	86
549.	Accrued depreciation—Buildings	86
550.	Accrued depreciation—Equipment	87
551.	Accrued depreciation—Miscellaneous physical property	87
552.	Miscellaneous reserves	87
	Total reserves.	
XI. Appropriated Surplus.		
553.	Sinking fund reserves	87
554.	Contingency reserves	87
555.	Other surplus reserves	88
	Total appropriated surplus.	
XII. Unappropriated Surplus.		
556.	Profit and loss [1] ----------balance	88
	Total liabilities and other credits.	

[1] Insert "Debit" or "Credit," as may be appropriate.

CLASSIFICATION OF BALANCE-SHEET ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

Section 1. Balance-sheet accounts defined.—The term "balance-sheet accounts" is used to designate those titles under which the ledger accounts are combined and summarized to show the assets, liabilities, and corporate surplus or deficit of the business at a given time. Where the title and definition of a balance-sheet account clearly indicates that it is a summary of other accounts it is not required that a special ledger account shall be kept under such a title to include the balances from the accounts usually carried in the ledger, but in such cases the titles of the subaccounts in the ledger shall give a reference by number or title, or both, to the account prescribed herein of which they are subdivisions.

Sec. 2. Designation of capital issues.—The term "capital stock" when used in this classification shall be construed as including shares of interest in joint-stock associations and like organizations.

Sec. 3. Discount and premium on capital stock.—(*a*) Ledger accounts shall be provided in which to include at the time of issue the discounts and premiums on each class of capital stock having par value issued or assumed by the carrier, such as common, preferred, etc. Appropriate entries shall also be made in these ledger accounts in connection with assessments levied on the stockholders or appropriations from surplus in reduction of discounts, reference to which is made in paragraph (*d*) following; also for adjusting the premium and discount accounts upon reacquirement of stock as required in section 5 following. In stating the balance sheet the total of the net debit balances remaining in the several ledger accounts shall be reported in account No. 520, "Discount on Capital Stock," and the total of the net credit balances under balance sheet account No. 532, "Premium on Capital Stock."

(*b*) By the term "discount" is meant the excess of the par value of stock actually issued or assumed (and accrued dividends, if any, expressed in the contract of sale) over the actual money value of the consideration received for such stocks.

(*c*) By the term "premium" is meant the excess of the actual money value of the consideration received for stock actually issued or assumed over the par value of such stock (and accrued dividends, if any.)

(*d*) Entries in these accounts representing discounts shall be carried therein until offset (1) by premiums realized on subsequent sales of the same class of stock, (2) by assessments levied on stockholders, (3) by appropriations of income or surplus for that purpose, or (4) by charges to profit and loss upon reacquirement of the stock.

(*e*) Entries in these accounts representing premiums realized shall be carried therein until offset (1) by discounts suffered on sales of the same class of stock, or (2) by credits to profit and loss upon reacquirement of the stock.

(*f*) In no case shall discount or capital stock be charged to or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation. For the purpose of this classification the

premium realized at the sale of capital stock shall not be considered a profit and loss item except upon the reacquirement of the stock sold. (See sec. 5 herein.) If the carrier distributes all or any part of the net premium on its capital stock to its stockholders, the amount thus distributed shall be charged to the appropriate premium account.

(*g*) For further instructions as to accounting for stock having no par value see balance-sheet account No. 531 and notes thereto.

Sec. 4. Discount, expense, and premium on long-term debt.—(*a*) Ledger accounts shall be provided in which to include the discounts suffered, expense incurred, and premiums realized at the sale of each class of long-term debt (including receiver's certificates) issued or assumed by the carrier. When entries are made debiting or crediting income accounts for amortization of discount, expense, and premium, as required by paragraph (*f*) following, or debiting or crediting profit and loss, as required by the following section 5, contra credits and debits shall be made to the appropriate ledger accounts. In stating the balance sheet the total of the net debit balances remaining in the several ledger accounts shall be reported in account No. 519, "Discount and Expense on Long-Term Debt."

(*b*) By the term "discount" is meant the excess of the par value of debt securities issued or assumed and the accrued interest thereon over the actual cash value of the consideration received for such securities.

(*c*) By the term "premium" is meant the excess of the actual cash value of the consideration received for debt securities and the accrued interest thereon.

(*d*) By the term "expense" is meant all expense in connection with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording mortgages and trust deeds; cost of printing bonds, certificates of indebtedness and other commercial paper having a life of more than one year; fees and commissions paid underwriters and brokers for marketing such evidences of debt; and other like expenses. Expenses incurred subsequent to the issue and initial sale of evidences of debt, such as payments to trustees for services in connection with the payment of interest or on the redemption of debt obligations, should be charged to operating expense account No. 270, "Other General Office Expenses," or other appropriate account.

(*e*) The total of the net debit balances remaining in these several accounts shall be included in account No. 519, "Discount and Expense on Long-Term Debt," and the total of the net credit balances in account No. 546, "Unamortized Premium on Debt."

(*f*) Each month or other accounting period there shall be charged to income account No. 322, "Amortization of Debt Discount and Expense," a proportion (based upon the ratio of such period to the remaining life of the respective securities) of each debit balance in these accounts, and there shall also be credited to income account No. 310, "Amortization of Premium on Debt," a similarly based proportion of each credit balance in these accounts. Through charges to profit and loss carriers may at any time extinguish all or any part of debit balances remaining in any of these accounts.

Sec. 5. Reacquired securities.—Capital stock or debt liability accounts in the balance sheet are intended to include only the par value of capital stock or long-term debt securities that have been actually issued to bona fide holders for value, or after such issue by another company, have been assumed by the accounting carrier. If after such issue or assumption they have been reacquired by the carrier under circumstances which require they shall not be treated as paid or retired, they shall be charged at par value to account No. 522, "Reacquired Securities," but their amounts, though appearing on the balance-sheet statement, shall be omitted from the total of the assets and deducted from the liabilities. The accounting procedure for reacquired securities shall be as follows:

(*a*) *Stock.*—When stock which has been issued or assumed by the carrier is reacquired, the difference between the price paid and the par value of the stock, or in case of stock without par value, the difference between the price paid and the value carried in account No. 531 (see Note E to account No. 531, "Capital Stock") shall be charged or credited to profit and loss as may be appropriate. Concurrently, the premium or discount for the particular class of stock reacquired shall be adjusted through profit and loss to the extent of the premium or discount applicable to the shares reacquired. In making such adjustments the credits and debits to profit and loss should be included in accounts No. 405 (*d*) or No. 412 (*e*), respectively. In case the premium or discount realized at the prior sale of the stock reacquired has been included in an account other than the premium and discount account, such account shall be concurrently adjusted through profit and loss to the extent of the premium or discount previously included therein with respect to the shares reacquired. This paragraph does not apply to stocks issued or assumed by the carrier when purchased for special funds and carried in the accounts at cost.

(*b*) *Long-term debt.*—When any long-term debt which has been actually issued to bona fide holders for value is reacquired by the carrier, a proportion of the balance remaining in the ledger accounts covering discount, expense, and premium on long-term debt of the class of security reacquired shall be credited or charged, as may be appropriate, to profit and loss. Such proportion shall be based upon the par value of the security reacquired to the par value of all the securities of the same class actually outstanding immediately before such reacquirement. In case, however, the premium or discount realized at the prior sale of the securities reacquired has been included in an asset account other than the premium and discount account, such asset account shall be concurrently adjusted through profit and loss to the extent of the premium or discount previously included therein with respect to the securities reacquired. If any such securities are reacquired for more or less than their par value, the difference between the par value and the cost of reacquirement shall be debited or credited to the profit and loss account, together with any amounts carried in the discount and premium accounts with respect to such securities. This paragraph does not apply to the purchase of securities solely for special funds in which the carrier records at cost instead of par value securities issued or assumed by itself.

Sec. 6. Book value of securities owned.—The accounting carrier has the option of carrying its investment in securities, other than those issued or assumed by it, either at cost or at a reasonable valuation other than cost.

Sec. 7. Contingent assets and liabilities.—Contingent assets and liabilities shall not be included in the body of the balance-sheet statement, but should be shown in detail in a supplementary statement. *Contingent assets* are those without value to the accounting carrier until the fulfillment of conditions regarded as uncertain. *Contingent liabilities* include items which may, under certain conditions, become obligations of the company, but are neither direct nor assumed obligations on the date of the balance sheet.

Sec. 8. Current assets.—In the group of accounts designated as current and accrued assets (accounts Nos. 505 to 514, inclusive) there shall not be included any item the ledger value of which is not reasonably assured by the known financial condition of the debtor. The amount of any item of a current character but of doubtful value shall be included in account No. 521, "Other De-

ferred Debits," or written off through profit and loss as may be appropriate. If desired to retain a record of the item in the balance sheet, it may be stated at a nominal value in account No. 521, "Other Deferred Debits," the difference between the full amount of the item and such nominal value being charged off to profit and loss.

Sec. 9. Joint liabilities.—The accounting carrier shall state as a liability in its balance sheet the total par value of securities jointly issued by it and others, and it shall include in account No. 521, "Other Deferred Debits," the portion of such liability, under the joint arrangement, it is expected will be liquidated by the other party or parties to the joint arrangement.

Sec. 10. Form of balance-sheet statement.—For certain purposes it is desirable to classify the several debit and credit items of the balance sheet and to show the net of certain related items appearing on the opposite sides thereof, and on pages 68 and 69 is shown a form of balance-sheet statement in which the items have been grouped under appropriate title, with spaces provided for showing the total of each group, which is the form to be observed by carriers in stating the balance sheet in the annual or other reports to the department.

TEXT PERTAINING TO BALANCE SHEET ACCOUNTS

ASSETS AND OTHER DEBITS

I. INVESTMENTS

501. REAL PROPERTY AND EQUIPMENT.

This account shall include the accounting carrier's investment in real property and equipment (including that held under contract of purchase) in existence at the date of the balance sheet.

NOTE.—This account shall not include any items representing titles to securities.

502. MISCELLANEOUS PHYSICAL PROPERTY.

This account shall include the accounting carrier's investment in physical property other than transportation property assignable to account No. 501, such as lands, buildings and other structures, and all materials, supplies, and equipment used for the purpose of conducting other operations, such as gasoline and oil stations, repair and service stations, training schools, including investment in training aircraft, hotels, restaurants, lunch rooms, aircraft sales agencies, etc., which are entirely distinct from the transportation property of the carrier.

This account shall also include lands and other property acquired, leased to others, or held for a rise in value or in anticipation of future use.

503. INVESTMENTS IN AFFILIATED COMPANIES.

This account shall include the ledger value of the accounting carrier's investment advances to affiliated companies, also of its investment in securities issued or assumed by such companies, such securities not being held in special funds.

This account shall be subdivided as follows: (*a*) Stocks. (*b*) Bonds. (*c*) Notes, including herein not only notes that run longer than one year, but also notes payable on demand or within one year from the date of issue when it is mutually understood and intended that the notes shall not be enforced as current assets; also all notes held as investment. (*d*) Advances.

The accounting carrier's records shall be kept in such a manner that the ledger value of securities pledged as collateral security for any of the accounting carrier's long-term debt or short-term loans or deposited for purposes enumerated in account No. 506, "Special Deposits," and the ledger value of securities unpledged may be shown separately in the annual report to the department. The value of securities held in special funds shall be included in account No. 515, "Sinking Funds," or No. 516, "Insurance and Other Reserve Funds," as may be appropriate.

NOTE A.—Accounts with affiliated companies which are subject to current settlements, such as charges for equipment, parts, materials, and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities, as may be appropriate.

NOTE B.—The term "affiliated companies" includes: (1) Controlled companies, including companies solely controlled by the accounting carrier and also companies jointly controlled by the accounting carrier and others under a joint arrangement. (2) Controlling companies, including both companies solely controlling the accounting carrier

and companies which jointly control the accounting carrier under a joint arrangement. (3) Companies controlled by controlled companies. (4) Companies controlled by controlling companies.

By "control" is meant the ability to determine the action of a corporation. For the purposes of this account, the following are to be considered forms of control: (*a*) Right through title to securities issued or assumed to exercise the major part of the voting power in the controlled corporation. (*b*) Right through agreement of some character or through some source other than title to securities, to name the majority of the board of directors, managers, or trustees of the controlling corporation. (*c*) Right to foreclose a first lien upon all or a major part in value of the tangible property of the controlled corporation. (*d*) Right to secure control in consequence of advances made for construction of the operating property of the controlled corporation.

A *leasehold interest in the property* of a corporation is *not* to be classed as *a form of control over the lessor corporation.*

Sole control is that which rests in one corporation.

Joint control is that which rests in two or more corporations and which is held under a joint arrangement.

504. OTHER INVESTMENTS.

This account shall include the ledger value of the accounting carrier's investment advances to *nonaffiliated* companies; also its investment in securities issued or assumed by such companies, such securities not being held in special funds; also such investments as are not provided for elsewhere.

This account shall be subdivided as follows: (*a*) Stocks. (*b*) Bonds. (*c*) Notes, including herein not only notes that run longer than one year, but also notes payable on demand or within one year from date of issue when it is mutually understood and intended that the notes shall not be enforced as current assets; also all notes held as investments. (*d*) Advances.

The accounting carrier's records shall be kept in such manner that the ledger value of securities pledged as collateral security for any of the accounting carrier's long-term debt or short-term loans or deposited for purposes enumerated in account No. 506, "Special Deposits," and the ledger value of securities unpledged may be shown separately in the annual report to the department.

NOTE A.—Accounts with nonaffiliated companies which are subject to current settlements, such as charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities, as may be appropriate.

NOTE B.—The term "nonaffiliated companies" includes all companies other than those defined as affiliated in Note B of Account No. 503.

NOTE C.—The value of securities borrowed by the accounting carrier and pledged shall not be included in this account. A record of the transaction would be sufficient.

NOTE D.—The value of securities held in special funds shall be included in account No. 515, "Sinking Funds," or No. 516, "Insurance and Other Reserve Funds," as may be appropriate.

II. CURRENT AND ACCRUED ASSETS

505. CASH.

This account shall include current funds in the hands of financial officers and financial agents, cash in transit for which agents and other employees receive current credit, and deposits in banks or with trust companies available for use on demand.

NOTE.—Funds deposited for paying interest coupons, declared dividends or for other special purposes, and not available for general use, should not be included in this account but in account No. 506, "Special Deposits."

506. SPECIAL DEPOSITS.

This account shall include amounts realized from the sale of securities and held by trustees for disbursement when the purposes for which the securities are sold are accomplished; amounts realized from the sale of property and held by trustees until the property is replaced; special deposits (other than in sinking funds) for the payment of debts, dividends, and interest; money deposited to insure the performance of contracts to be performed within one year from the date of the balance sheet; and other deposits of a special nature not provided for elsewhere.

NOTE A.—Securities pledged for any of the purposes enumerated in this account shall not be included in account No. 503, "Investments in Affiliated Companies," or in account No. 504, "Other Investments."

NOTE B.—This account shall not include any asset available for general purposes.

507. LOANS AND NOTES RECEIVABLE.

This account shall include the ledger value of collectible obligations in the form of loans and notes receivable or other similar evidences (except interest coupons) or money receivable on demand or within a time not exceeding one year from date of issue and upon which solvent concerns or individuals are liable. (See special instructions, sec. 8, p. 73.)

NOTE.—Time loans which mature more than one year after date of issue and demand or short-term notes held as investments shall be included in account No. 503, "Investments in Affiliated Companies," and in account No. 504, "Other Investments."

508. TRAFFIC BALANCES RECEIVABLE.

This account shall include the net amounts due from other carriers against each of which there is a net debit balance in the total of the accounts representing interchange of through business and interchange of traffic of all kinds.

NOTE.—The amount to be entered in this account is not the balance between this account and account No. 537, "Traffic Balances Payable."

509. NET BALANCES RECEIVABLE FROM AGENTS.

This account shall include the net balances due in current accounts from agents and other employees and representatives charged with the collection or custody of current revenues, including cash advanced to or retained by agents as funds for current use.

NOTE.—Amounts advanced to agents as working funds shall be included in account No. 513, "Working Fund Advances."

510. ACCOUNTS RECEIVABLE.

This account shall include amounts due in audited accounts considered good, such as those due from the United States or other governments for the transportation of mail and Government property and from express companies for express facilities furnished under contract; bills and open accounts against other transportation companies; also the ledger value of all accounts and claims upon which responsibility is acknowledged by solvent concerns and individuals or which are sufficiently secured to be considered good, and of all judgments against such concerns where the judgment is not appealable or suspended through appeal. The details of this account shall be so kept as to show separately the charge to this account for the following: (1) Amounts receivable from affiliated companies; and (2) Other accounts receivable. This account does not include negotiables. (See special instructions, sec. 8, p. 73.)

NOTE.—Accounts with affiliated companies which are subject to current settlement, such as charges for equipment, parts, materials, and supplies currently furnished and charges for repairs to equipment, etc., shall be classed as current assets or current liabilities, as may be appropriate.

511. MATERIALS AND SUPPLIES.

This account shall include balances representing the cost, less depreciation, if any, of all unapplied materials and supplies, such as articles in process of manufacture by the accounting carrier, motor fuel, motor and lubricating oils, greases and compounds, shop material, office, aircraft, engine, motor vehicle,

and radio materials and supplies, stationery, fuel oil, and other supplies regardless of whether the same are intended to be consumed in construction or in operation or later to be sold. In determining the cost of materials and supplies suitable credits shall be made for any discounts allowed in the purchase thereof.

When any materials or supplies, the cost of which has been charged to this account, are issued for use, the amount at which they stand charged herein should be credited to this account and charged to the proper operating expense, construction, or other account.

The scrap or salvage value of parts and units of equipment retired from service shall be charged to an appropriate subaccount to this account while such parts or equipment remain the property of the carrier. If such salvage value is not known and can not readily be determined, it shall be estimated.

Inventories of materials and supplies shall be taken at least annually and any shortages or overages disclosed by such inventories shall be credited or debited, as set forth in section 9 of special instructions relating to operating expense accounts, as shown on page 15.

NOTE.—It is not required that the transportation and other elements of cost shall be assigned with a greater degree of accuracy than to the nearest cent per unit of material or supply. When a single transportation item covers a multitude of things, the portion of the expense not assigned to specific things should be charged to the clearing account, "Supply Expenses." (See special instructions, sec. 13, operating expenses, p. 16, for handling of materials and supplies for schools and courses of instruction.)

512. INTEREST AND DIVIDENDS RECEIVABLE.

This account shall include the amount of interest on bonds and on loans made accrued to the date of the balance sheet; also the amount of dividends declared on stocks owned and of dividends accrued on such stocks when contracts require that the dividends be paid at stated times. (See special instructions, sec. 8, p. 73.)

NOTE A.—No amount representing interest or dividends receivable shall be included in this account unless its payment is reasonably assured by past experience and anticipated provision or otherwise. But the definition of this account shall not be construed to prevent the carrying of interest and dividends receivable in a suspense account until collection has actually been made, even though the debtor be solvent.

NOTE B.—No dividends or other returns on securities issued or assumed by the accounting carrier shall be included in this account.

513. WORKING FUND ADVANCES.

This account shall include all amounts advanced to agents and others (not provided for in accounts Nos. 505 and 509) as working funds from which certain expenditures are to be made and accounted for.

514. OTHER CURRENT AND ACCRUED ASSETS.

This account shall include items of current assets not covered by accounts Nos. 505 to 513, inclusive. It is intended to include asset items that have not reached the stage of audited accounts properly classifiable in account No. 510, "Accounts Receivable," and yet have advanced beyond the stage of accounts properly classifiable in account No. 521, "Other Deferred Debits." (See special instructions, sec. 8, p. 73.)

III. SPECIAL FUNDS

515. SINKING FUNDS.

This account shall include the amount of cash, the ledger value of securities of other companies, and other assets in the hands of trustees of sinking and other funds for the purpose of redeeming outstanding obligations including such assets so held by the carrier when they are segregated in a distinct fund; also

amounts deposited with such trustees on account of mortgaged property sold, when the proceeds of sale are to be held for the redemption of securities, and the cost of live securities issued or assumed by the accounting carrier and held in such funds. A separate account shall be provided for each fund and the title of each fund should designate the obligation in support of which the fund is created. (See income account No. 308, "Income from Special Funds.")

The amounts included in this account shall be divided so as to show (1) the cost of the securities issued or assumed by the accounting carrier, and (2) the amount in cash and the ledger value of securities of other companies.

516. INSURANCE AND OTHER RESERVE FUNDS.

This account shall include the amount of cash, the ledger value of securities of other companies, and other assets held by the carrier and segregated into a distinct fund or in the hands of trustees or managers of insurance funds, depreciation funds and other funds that have been raised and specifically set aside or invested by the carrier for specific purposes, and the cost of securities issued or assumed by the accounting carrier held in such funds. A separate account shall be provided for each fund and the title of each fund should designate the obligation in support of which the fund is created. (See income account No. 308, "Income from Special Funds.")

The accounts included in this account shall be divided so as to show (1) the cost of securities issued or assumed by the accounting carrier, and (2) the amount in cash, the ledger value of securities of other companies, and other assets.

517. OTHER SPECIAL FUNDS.

This account shall include such special funds as are not covered by accounts Nos. 515 and 516, such as employees' pension, savings, relief, hospital, and other funds which have been raised and specifically set aside or invested for purposes not provided for elsewhere. A separate account shall be provided for each fund. (See income account No. 308, "Income from Special Funds."

IV. DEFERRED DEBITS

518. PREPAYMENTS.

This account shall include the debit balances described under the following subheads:

(*a*) *Prepaid rents.*—The amount of rents paid in advance of their accrual. As the same becomes due and payable, this account shall be credited at regular accounting intervals and the appropriate rent account debited with the amount applicable to the period.

(*b*) *Prepaid insurance.*—The amount of premium on insurance policies paid in advance of their accrual. As such premiums accrue they shall be credited at regular accounting intervals to this account and charged to the appropriate operating expense or other account.

(*c*) *Prepaid taxes.*—The excess of taxes paid over the amount properly chargeable to current income or other similar account, as shown by a debit balance in the tax-liability account. (See account No. 543, "Taxes Accrued," p. 85.)

(*d*) *Miscellaneous prepayments.*—Prepayments made for any purpose other than those provided for in the three preceding subheads.

519. DISCOUNT AND EXPENSE ON LONG-TERM DEBT.

This account shall include the total of the net debit balances in the discount, expense, and premium ledger accounts for the several classes of long-term debt, including receiver's certificates. (See special instructions, sec. 4, p. 72.)

520. DISCOUNT ON CAPITAL STOCK.

This account shall include the total of the net debit balances in the discount and premium accounts for the several classes of capital stock. (See special instructions, sec. 3, p. 71.)

521. OTHER DEFERRED DEBITS.

This account shall include all debits not elsewhere provided for the proper final disposition of which is uncertain. This will include claims paid when found to be correct, but before investigation; debit balances in clearing accounts for shop expense and store expense; unextinguished discount on short-term notes; estimated accrued depreciation on equipment leased; unadjusted debit items not provided for in the foregoing accounts 518, 519, and 520, and other similar items.

This account shall also include the cost of tentative or preliminary surveys, plans, designs, and investigations made for determining the feasibility of undertakings under contemplation. If the undertaking is thereafter directly proceeded with, the amount carried in this account with respect thereto shall be credited to this account and charged to the proper work order, property and equipment, or other account. If the undertaking is abandoned, the cost of the preliminary investigation shall be charged to the appropriate operating expense or other account.

Whenever the proper disposition of any item included in this account is determined, it shall be charged to the appropriate account and cleared from this account.

V. REACQUIRED AND TREASURY SECURITIES

522. REACQUIRED SECURITIES.

When any securities have been issued to bona fide holders for value (or after such issue by another corporation have been assumed) and after such issue (or assumption) are reacquired by the carrier under circumstances which require that they shall not be treated as paid or retired, they shall be charged to this account at par value. If the price at which such securities are reacquired is greater or less than the par value, the difference shall be adjusted through profit and loss, and the balance, if any, remaining in the premium or discount accounts in respect to the security reacquired shall be adjusted to accord with sections 3 and 4 of special instructions, pages 71 and 72. This account shall be subdivided into (*a*) stocks and (*b*) bonds and other long-term debt. (See special instructions, sec. 5, p. 72.)

NOTE A.—The term "*securities*" as used in this account includes all authorized certificates of stock and evidences of indebtedness which have been signed, sealed, and, when required, certified by the trustees under the mortgage or contract, and are not short-term securities. By *short-term securities* are meant those which are payable on demand or which mature not more than one year from date of issue. (See also Note A to Account No. 531.)

NOTE B.—This account shall not include any securities held in sinking and other reserve funds.

NOTE C.—This account shall not include stocks having no par value or securities that are merely guaranteed.

NOTE D.—In the general balance-sheet statement the balance in this account shall be stated in the short column only.

523. TREASURY SECURITIES.

This account shall include the par value of securities which have been nominally but not actually issued by the carrier. For definition of the term "nominal issue" see Note A under account No. 531, "Capital Stock," and Note B under account No. 533, "Long-Term Debt."

LIABILITIES AND OTHER CREDITS

VI. STOCK

531. CAPITAL STOCK.

This account shall include the items described under the following subheads:

(*a*) *Full-paid stock.*—This covers the total par value (or, in the case of stocks having no par value, the money value of the consideration received) of stocks actually outstanding issued to represent permanent full-paid interests in the corporation or interests, which, if terminable, are so only at the option of the corporation. This account shall be divided to show (1) Par value stock, (2) Nonpar value stock.

(*b*) *Nominally issued stock held in Treasury.*—This includes the total par value of stocks nominally issued and included in account No. 523, "Treasury Securities," or account No. 522, "Reacquired Securities." If the stock is without par value, the original entry relating thereto will be only a memorandum.

(*c*) *Receipts for stock subscriptions.*—This covers the amount of installments received on subscriptions for capital stock prior to delivery of certificates. When the certificates of stock are issued in lieu of receipts this account shall be cleared and the par (or money) value of the stock so issued shall be credited to the account appropriate for such stock.

(*d*) *Stock liability for conversion.*—This covers the carrier's liability under agreements to exchange its capital stock for the outstanding securities of companies whose physical property has been acquired under such agreements, but whose securities have not yet been surrendered for exchange.

A separate ledger account shall be maintained for each class of stock, such as common and preferred, and also for each issue of the same class if the terms of issue are in any way different. The characteristics of any class of stock shall be designated in the title of the account raised to cover such stock and shall be clearly expressed in the first entry of such account. To the account for any class of stock shall be credited, when issued, the par value of the stock of that class issued. If such issue is for money, that fact should be stated; and if for any other consideration than money, the person to whom issued shall be designated and the consideration for which issued shall be described with sufficient particularity to identify it; if such issue is to the treasurer or other agent of the carrier to be by him disposed of for the benefit of the carrier, that fact and the name of such agent shall be shown, and such agent shall, in his account of the disposition thereof, show the like details concerning the consideration realized thereon, which account, when accepted by the carrier, shall be preserved as a permanent record. If the fair cash value of the consideration realized upon the issue of any class of stock is greater or less than the par value of such stock (and accrued dividends, if any, expressed in the contract of issue), any excess shall be credited to the discount and premium ledger account for such stock and any deficit or discount shall be charged to such account (see special instructions, sec. 3, p. 71), and corresponding reference thereto shall be contained in the entry relating to such stock in the stock account.

For each class of stock the records shall show plainly the par value of (1) certificates issued and actually outstanding, being those not held by the carrier, its agent or trustees, or subject to its control; and (2) certificates pledged and unpledged held in the carrier's treasury, by its agents or trustees, or otherwise subject to its control, including both those acquired after actual issue and those nominally but never actually issued.

NOTE A.—For the purposes of the balance-sheet statement, capital stock is considered to be *nominally issued* when certificates are signed and sealed and placed with the proper officer for sale and delivery, or pledged or otherwise placed in some special fund of

the accounting carrier. It is considered to be *actually issued* when it has been sold to a bona fide purchaser for a valuable consideration, and such purchaser holds it free from all control by the accounting carrier. All capital stock actually issued and not reacquired and held by or for the accounting carrier is considered to be *actually outstanding*. If reacquired by or for the accounting carrier under such circumstances as require it to be considered as held alive and not canceled or retired, it is considered to be nominally issued and nominally outstanding.

NOTE B.—When stock without par value is issued, the actual money value of the consideration realized from the issue shall be credited to the account representing that subclass of stock. When a general levy or assessment is made against the holders of capital stock having *no* par value, the amounts collected upon such levy or assessment shall also be credited to the account representing the particular subclass of stock.

NOTE C.—When a general levy or assessment is made against the holders of capital stock having par value requiring the payment of any sum for the use of the carrier in addition to the consideration agreed upon at the time of sale, the amount collected upon such levy or assessment shall be credited to the discount and premium account for the subclass of stock on which the assessment is made.

NOTE D.—When stock having par value is exchanged for stock without par value, sums resting in the discount and premium account for the subclass of stock retired shall be cleared to this account to the extent of the premium or discount applicable to the shares retired.

NOTE E.—When stock having no par value is reacquired, this account shall be charged with the amount of the liability resting therein with respect to the reacquired stock. The amount thus charged shall be determined by a prorate of the proceeds realized from shares of the particular subclass of stock of which the shares reacquired are a part actually outstanding immediately prior to the reacquisition. The difference between the amount by which the liability in this account is thus reduced and the amount expended in reacquiring the stock shall be adjusted through profit and loss accounts No. 405, "Miscellaneous Credits to Profit and Loss," or No. 412, "Miscellaneous Debits to Profit and Loss," as may be appropriate.

NOTE F.—In the general balance-sheet statement the total capital stock shall be shown in the first short column. The amount nominally but not actually issued and the amount nominally outstanding shall be shown in the second short column, and in the long column shall be shown the amount actually outstanding.

532. PREMIUM ON CAPITAL STOCK.

This account shall include the total of the credit balances in the discount and premium accounts for the several subclasses of capital stock. (See special instructions, sec. 3, p. 71.)

VII. LONG-TERM DEBT

533. LONG-TERM DEBT.

This account shall include the total par value of all unmatured debt except receivers' certificates and advances from affiliated companies maturing more than one year from date of issue, issued by the accounting carrier and not retired or canceled, and the total par value of similar unmatured debt of other companies the payment of which has been assumed by the accounting carrier. This covers bonds, notes, mortgage certificates, and all other forms of acknowledgment of indebtedness.

A separate account shall be kept for each class of debt and also for each issue of the same class, if the terms are in any way different, including receipts on subscriptions for bonds, etc., prior to the time the formal debt obligation is issued. (For instructions relating to accounting for discount, expense, and premium on long-term debt see special instructions, sec. 4, p. 72.)

For each class of long-term debt the records shall show plainly (1) the par value of certificates or other evidences of debt pledged or unpledged held in the carrier's treasury, held by its agents or trustees, or otherwise subject to its control, including both those reacquired after actual issue and those nominally but never actually issued; and (2) the par value of certificates or other evidences of debt issued and actually outstanding, being those not held by the carrier, its agents or trustees, or subject to its control.

NOTE A.—Securities maturing one year or less from date of issue shall be included in account No. 536, "Loans and Notes Payable." Matured long-term debt shall be included in account No. 541, "Matured Long-Term Debt Unpaid."

NOTE B.—For the purposes of the balance-sheet statement, long-term debt securities are considered to be *nominally issued* when certified by trustees and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund for the accounting carrier. They are considered to be *actually issued* when they have been sold to a bona fide purchaser for a valuable consideration, and such purchaser holds them free from all control by the accounting carrier. All long-term debt securities actually issued and not reacquired and held by or for the accounting carrier are considered to be *actually outstanding*. If reacquired by or for the accounting carrier under such circumstances as require them to be considered as held alive and not canceled or retired, they are considered to be nominally issued and *nominally outstanding*.

NOTE C.—In the general balance-sheet statement the total unmatured long-term debt shall be shown in the first short column. The amount nominally but not actually issued and the amount nominally outstanding shall be shown in the second short column, and in the long column shall be shown the amount actually outstanding.

534. RECEIVER'S CERTIFICATES.

When any receiver acting under the orders of a competent court is in possession of the property of a carrier and under the orders of such court issues evidences of indebtedness chargeable upon such property, the par value of such evidences shall be credited to this account.

NOTE.—Separate subaccounts shall be maintained for receiver's certificates which mature in more than one year and those which mature in one year or less from date of issue.

535. ADVANCES FROM AFFILIATED COMPANIES.

This account shall include the par value of nonnegotiable notes due to affiliated companies, credit balances in open accounts with such companies other than credit balances in current accounts classable as current liabilities, and interest accrued on notes and open accounts included in this account, when such interest is not subject to current settlements. This account shall be subdivided as follows:

(*a*) Notes, including herein not only nonnegotiable notes that run longer than a term of one year, but also such notes payable on demand or within one year from the date of issue when it is mutually agreed that the notes shall not be enforced as current assets by the holder.

(*b*) Open accounts not subject to current settlement.

(*c*) Interest accrued on amounts included in this account when not subject to current settlements.

Balances in open accounts with affiliated companies which are subject to current settlement, such as traffic balances, charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be classed as current assets or current liabilities as may be appropriate. Negotiable notes due to affiliated companies shall not be included in this account but in account No. 536, "Loans and Notes Payable."

NOTE A.—No item shall be included in this account which is not known to be the property of an affiliated company.

NOTE B.—The term affiliated companies includes: (1) Controlled companies, including companies solely controlled by the accounting carrier, and also companies jointly controlled by the accounting carrier and others under a joint arrangement. (2) Controlling companies, including both companies solely controlling the accounting carrier and companies which jointly control the accounting carrier under a joint arrangement. (3) Companies controlled by controlled companies. (4) Companies controlled by controlling companies.

By *control* is meant the ability to determine the action of a corporation. For the purposes of this account the following are to be considered forms of control: (*a*) Right through title to securities issued or assumed to exercise the major part of the voting power in the controlled corporation. (*b*) Right through agreement of some character or through some source other than title to securities to name the majority of the board of

directors, managers, or trustees of the controlling corporation. (*c*) Right to foreclose a first lien upon all or a major part in value of the tangible property of the controlled corporation. (*d*) Right to secure control in consequence of advances made for the construction of the operating property of the controlled corporation. (*e*) Right to control only in a specific respect the action of the controlled corporation.

A *leasehold interest in the property* of a corporation is *not* to be classed as *a form of control over the lessor corporation. Sole control* is that which rests in one corporation. *Joint control* is that which rests in two or more corporations and which is held under a joint arrangement.

VIII. CURRENT AND ACCRUED LIABILITIES

536. LOANS AND NOTES PAYABLE.

This account shall include the balances representing obligations outstanding in the form of loans and notes payable or other similar evidences of indebtedness (except interest coupons) payable on demand or within a time not exceeding one year from date of issue.

NOTE.—Secured notes and time loans payable more than one year from date of issue shall be included in account No. 533, "Long-Term Debt."

537. TRAFFIC BALANCES PAYABLE.

This account shall include the net amounts payable to other transportation companies in favor of each of which there is a net credit balance in the total of the accounts representing interchange of through business and interchange of traffic of all kinds.

NOTE.—The amount to be entered in this account is not the balance between this account and account No. 508, "Traffic Balances Receivable."

538. ACCOUNTS AND WAGES PAYABLE.

This account shall include the amount of audited vouchers or accounts unpaid and of audited pay rolls unpaid on the date of the balance sheet. It shall include balances representing unclaimed wages, outstanding pay checks, open accounts with other companies, except such as are includable under account No. 535, "Advances from Affiliated Companies," and all other unpaid vouchered items, except traffic balances payable. The details of this account shall be so kept as to show separately the charges to this account for the following: (1) Wages and salaries unpaid, (2) amounts payable to affiliated companies, (3) other accounts payable.

539. MATURED INTEREST UNPAID.

This account shall include the amount of matured and unpaid interest on debt of the respondent carrier, except where such interest is added to the principal debt, as is usual in the case of judgments and sometimes with advances from affiliated companies.

Interest which matures on the first day following that for which the balance sheet is made shall be included in this account.

NOTE.—Interest matured unpaid on nonnegotiable debt to affiliated companies, if not subject to current settlement, shall be included in account No. 535, "Advances from Affiliated Companies."

540. DIVIDENDS DECLARED.

This account shall include the amount of any dividends which have been declared but unpaid, uncalled for, or unclaimed at the date of the balance sheet. Dividends shall be credited to this account as of the day upon which they become a liability of the carrier (which is generally the date upon which they are declared), and when paid shall be charged to this account and credited to "Cash" or other appropriate account.

541. MATURED LONG-TERM DEBT UNPAID.

This account shall include the amount of long-term debt matured and unpaid without any specific agreement for extension as to time of payment, including unpresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

NOTE.—Real-estate mortgages whose nominal maturity has been reached, but which, by mutual agreement between mortgagees and mortgagor, are continued indefinitely as obligations of the carrier, need not be transferred to this account, but may be carried in account No. 533, "Long-Term Debt."

542. MISCELLANEOUS CURRENT LIABILITIES.

This account shall include the balance in all open accounts representing liabilities definitely determined in amount and which are either matured at the date of the balance sheet or which become due within a year from date or upon demand of the creditor not specifically provided for in the foregoing accounts 536 to 541, inclusive, or in account No. 545, "Miscellaneous Accrued Liabilities."

543. TAXES ACCRUED.

This account shall include the amount of taxes accrued and properly charged against income accounts No. 304, "Taxes Assignable to Operations," and No. 319, "Miscellaneous Rents and Taxes," in excess of the amounts paid.

An open account entitled "Tax Liability Account" shall be raised, and to it shall be credited at the close of each accounting period taxes accrued during the period, corresponding debits being made to the appropriate accounts for tax charges. Such credits will necessarily be based upon estimates, but from time to time during the year, as the actual tax levies become known, the amount of the periodic credits shall be adjusted so as to include as nearly as may be possible in each year the taxes applicable thereto. When any tax is paid it shall be charged to the "Tax Liability Account" and credited to "Cash" or other appropriate account. A debit balance in the "Tax Liability Account" due to the prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be shown under account No. 518, "Prepayments," while a credit balance shall be shown under account No. 543, "Taxes Accrued."

NOTE.—In its annual report the carrier may be required to state separately its liability for taxes overdue and unpaid, i. e., such taxes as have not been paid at the date specified for such payment or after the expiration of such additional period as may be allowed by the tax-levying authority before penalty for nonpayment or delayed payment becomes effective. Overdue taxes include those unpaid because of litigation or dispute.

544. INTEREST ACCRUED.

This account shall include the amount of interest accrued to date of the balance sheet, but not payable until after that date on all indebtedness of the carrier, except where such interest is added to the principal debt, as is the usual case with judgments, and sometimes with advances from affiliated companies. When such interest is paid, it shall be charged to this account and credited to "Cash" or other appropriate account. Separate subaccounts shall be maintained for each item of indebtedness.

When interest matures without being paid, it shall be charged to this account and credited to account No. 539, "Matured Interest Unpaid." Payments to trustees (or other agents) of the holders of bonds or other securities of the interest accrued thereon which operate under the terms of the securities (or of mortgages supporting such securities) as a release of the carrier from further liability for such interest shall be considered equivalent to payments of interest made direct to bondholders and such interest shall not be credited to account No. 539, "Matured Interest Unpaid."

The interest accrued upon any judgment against the carrier shall not be credited to this account but to the account to which such judgment stands credited.

545. MISCELLANEOUS ACCRUED LIABILITIES.

This account shall include the balances in all accounts representing liabilities, other than interest and taxes accrued at the date of the balance sheet but not

due until after that date, such as payments to be made to other carriers or to a State or other governmental body under conditions of a license, rents, etc.

IX. DEFERRED CREDITS

546. UNAMORTIZED PREMIUM ON DEBT.

This account shall include the total of the net credit balances in the discount, expense, and premium ledger accounts for the several subclasses of long-term debt, including receiver's certificates. (See special instructions, sec. 4, p. 72.)

547. MISCELLANEOUS DEFERRED CREDITS.

This account shall include the amount of credit balances in suspense accounts that can not be entirely cleared and disposed of until additional information is received, such as amounts received from sale of damaged, unclaimed, and over express and freight; amounts received from the sale of mileage tickets, to be disposed of as mileage is honored by the accounting or other carriers; revenue overcharges subject to refund; credit balances in clearing accounts for shop expenses and store expenses, and similar items.

X. RESERVES

548. OPERATING AND INSURANCE RESERVES.

Operating reserves.—If the carrier maintains operating reserves for the purpose of equalizing expenses from month to month, the balances in such reserves shall be carried in this account. Such balances shall be cleared annually unless there remains a credit balance due to the noncompletion of maintenance, overhaul, and repair work because of adverse labor conditions, nonreceipt of material, or other similar reasons, in which case such part of the balance as is applicable to unfinished work may be carried over to the following year. Under no circumstances shall a debit balance be carried over the year.

Insurance and casualty reserves.—When any admitted liability arises because of loss or damage to the property of others, or of injuries to employees or other persons, the amount of liability may (if not previously provided for by insurance or self-insurance) be charged to the appropriate operating expense or other accounts and credited to this account, against which (in such case) the actual cost of satisfaction of the liability shall be charged when the matter is determined. If the extent of the liability can not be determined promptly after liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter shall be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the carrier, the indemnifiable portion of the loss shall be charged to the insurer and credited to "Insurance and Casualty Reserve." This account shall also include the amounts charged to operating expense accounts Nos. 186, 224, and 265 to cover self-carried risks.

Separate subaccounts shall be maintained showing total credits to "Operating Reserves" and "Insurance and Casualty Reserves."

NOTE A.—The credit balances in reserve accounts representing appropriations of income or surplus for sinking funds, etc., shall not be included in this account. (See accounts No. 553, "Sinking Fund Reserves"; No. 554, "Contingency Reserves"; and No. 555, "Other Surplus Reserves."

NOTE B.—Accrued depreciation credit balances shall be included in accounts Nos. 549, 550, 551, or 552, as may be appropriate.

549. ACCRUED DEPRECIATION—BUILDINGS.

To this account shall be credited amounts charged to operating expenses to cover the depreciation of buildings and improvements, the cost of which is

included in real property and equipment accounts. To this account shall be charged at the time of retirement amounts equal to the amounts previously credited thereto with respect to property destroyed, sold, or otherwise permanently retired from service. (See special instructions, operating expenses, secs. 3 and 4, pp. 11 and 13.)

550. ACCRUED DEPRECIATION—EQUIPMENT.

To this account shall be credited amounts charged to operating expenses to cover the depreciation of equipment. To this account shall be charged amounts equal to the amounts previously credited thereto with respect to any equipment destroyed, sold, or otherwise permanently retired from service. (See special instructions, operating expenses, secs. 3 and 4, pp. 11 and 13.)

551. ACCRUED DEPRECIATION—MISCELLANEOUS PHYSICAL PROPERTY.

To this account shall be credited amounts charged to the expenses of operating property the cost of which is included in account No. 502, "Miscellaneous Physical Property," to cover the depreciation thereon. To this account shall be charged at the time of retirement amounts equal to amounts previously credited thereto with respect to any property destroyed, sold, or otherwise permanently retired from service. (See special instructions, operating expenses, secs. 3 and 4, pp. 11 and 13.)

552. MISCELLANEOUS RESERVES.

This account shall include reserves not otherwise provided for representing an admitted liability or an estimated decrease in the value of an asset, such as:

(*a*) Reserve for uncollectible bills and charges. (See income account No. 305, p. 54.)
(*b*) Reserves for inventory adjustments.
(*c*) Reserves for depreciation on miscellaneous investments.
(*d*) Other miscellaneous reserves.

XI. APPROPRIATED SURPLUS

553. SINKING-FUND RESERVES.

This account shall include the net balances in accounts to which are credited, in accordance with the requirements of mortgages and other contracts, or by action of the carrier's directors, definite appropriations of income and surplus, whether held in general funds or specifically set aside in the hands of trustees, for the purpose of retiring or redeeming bonds or other obligations of the carrier. It shall also include such accretions from the investment of funds specifically set aside for the above-described purpose as are required to be added to the reserve.

When the debt which the sinking fund is created to redeem matures and the fund has accomplished its purpose, the balance in the reserve relating to such debt may be charged to this account and credited to profit and loss. If the mortgage or other obligation permits, the par value of bonds or other evidences of indebtedness issued or assumed by the carrier which are reacquired through the operation of a sinking fund may be charged to this account and credited to profit and loss when and as such bonds or other evidences of indebtedness are reacquired.

554. CONTINGENCY RESERVES.

This account shall include such amounts as the carrier sets aside from income and surplus to provide against unforeseen contingencies.

555. OTHER SURPLUS RESERVES.

This account shall include the balances in all surplus reserves other than those provided for in the foregoing accounts Nos. 553 and 554, created by charges to income account No. 330, "Miscellaneous Appropriations of Income," or to profit and loss account No. 410, "Appropriations to Reserves."

A description of each such reserve, giving the purpose for which it was created, and a summary of the debits and credits thereto during the year may be required in annual or special reports to the department.

XII. UNAPPROPRIATED SURPLUS

556. PROFIT AND LOSS BALANCE.

This account shall include the net balance at the close of the fiscal period, as shown in the accounts provided for in the classification of profit and loss accounts, credit or debit, as the case may be.

CLASSIFICATION OF REAL PROPERTY AND EQUIPMENT ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

		Page
SEC. 1.	Real property and equipment defined	91
2.	Basis of charges	92
3.	Definitions	93
4.	Land retired	93
5.	Property retired	94
6.	Buildings and improvements on land not owned	95
7.	Improvements to buildings not owned	95
8.	Division of property at terminals	95
9.	Schools and courses of instruction	95
10.	Miscellaneous operations	96
11.	Interpretation of item lists	96

GENERAL AND PRIMARY ACCOUNTS

I. LAND.		
601.	Land	97
II. BUILDINGS AND IMPROVEMENTS.		
602.	Buildings and improvements on land owned	97
603.	Buildings and improvements on land not owned	98
604.	Improvements to buildings not owned	98
III. EQUIPMENT.		
605.	Aircraft	99
606.	Engines	99
607.	Aircraft communication equipment	99
608.	Airway communication equipment	99
609.	Hangar equipment	99
610.	Shop equipment	99
611.	Fuel, water, oil, and gas, storage and distribution equipment	100
612.	Motorized vehicles	100
613.	Furniture and equipment	100
614.	Other equipment	100

17339—31——7

CLASSIFICATION OF REAL PROPERTY AND EQUIPMENT ACCOUNTS

SPECIAL INSTRUCTIONS AND DEFINITIONS

Section 1. Real property and equipment defined.—The accounts prescribed in this classification are designed to exhibit the investment of the carrier in property used in the operation of airway transportation and in operations incident thereto. These accounts shall include:

The total cost of fully equipping new lines for operation, including cost of surveying and mapping routes and other original expenses.

The total cost of new units of property added to the existing plant.

The total cost of units of property placed in use to replace units retired.

The cost of improvements representing physical changes in existing units of property, such as additions to buildings and other structures, and additional devices applied to facilities; also improvements of existing facilities through the substitution of superior parts for inferior parts retired. The cost chargeable for parts substituted is the excess of their cost over the cost at current prices for new parts of the kind retired. (The cost of rearranging or altering the existing property in the process of making improvements shall be charged to operating expenses.)

NOTE.—Where the carrier operates scheduled exclusive passenger-carrying aircraft over all or any part of the authorized air-mail route and maintains equipment exclusively for such service appropriate subaccounts to the primary accounts shall be maintained for such equipment. If the equipment so used is interchangeable with equipment used on scheduled mail-passenger flights an explanation regarding same will be required in the annual report to the department.

GENERAL NOTES REGARDING "LAND"

Land.—(*a*) The cost of all land devoted to a carrier's transportation operations shall be charged to account No. 601, "Land."

(*b*) This includes land for airports, emergency landing fields, or for any other purpose in connection with airway transportation operations. Such cost includes, when assumed or paid by the carrier in its own behalf, cost of registration of title, cost of examination of title, conveyancer's and notary's fees, purchasing agent's commissions or fees, taxes accrued to date of transfer of title, and all liens upon the title acquired, cost of obtaining consent and payments for abutting damages; also the first cost of acquiring leaseholds of land for airports and emergency fields with a life of more than one year (but not including the rents paid periodically in consideration of rights obtained under such leases); the cost of locating emergency or other fields, and the initial cost of clearing timber, brush, etc., therefrom.

(*c*) The land account shall also include special assessments levied by public authorities on the basis of benefits for streets and other public improvements, such as new roads, new bridges, new sewers, new pavements, new curbings, etc., but not any taxes levied to provide for maintenance of such improvements.

The cost of buildings and other improvements shall not be included in the land account. If at the time of acquisition of an interest in land it extends to buildings or other improvements thereon, which improvements are used

by the carrier in its airway transportation operations, and the contract of acquisition does not determine the price of such improvements, they shall be appraised at their fair cash value for use in such operations, and such appraised value shall be charged to account No. 602, "Buildings and Improvements on Land Owned." If such improvements are not used in airway transportation operations but are devoted to other operations or held as investments, the cost or appraised value should be charged to balance-sheet account No. 502, "Miscellaneous Physical Property." If the improvements are removed or wrecked, the cost of removing or wrecking them, including injuries or damages in connection therewith, should be charged and the salvage credited to the land account.

(*d*) Net proceeds from the sale of timber, cordwood, or other property purchased with lands should be credited to the land account. Where land is held for a considerable period of time and timber on the land at the time of purchase grows or increases in value, the proceeds of the sales of the timber or its products resulting from such growths or increase in value should be credited to profit and loss or other appropriate account and not to any real property or equipment account.

GENERAL NOTES REGARDING "BUILDINGS AND IMPROVEMENTS"

Buildings and improvements.—(*a*) The cost of all structures used in the carrier's airway transportation operations should be charged to the appropriate real property and equipment accounts. This includes all permanent buildings and structures to house, support, or safeguard property or persons, with all appurtenant fixtures, improvements to land, and other constructions.

(*b*) Buildings include all fixtures attached to and forming a permanent part thereof, such as water pipes and fixtures, steam pipes and fixtures for heating and ventilating, gas pipes and fixtures for lighting, etc., electric wiring and fixtures for lighting, signaling, etc.; elevators, cranes, and hoists and the motive power for operating them; and fuel, water, oil, and gas, storage and distribution systems when considered a part of the building or structure; also the cost of architect's plans and of superintendence of construction.

(*c*) Improvements to land includes walks, roadways, runways, and driveways adjacent to buildings, sewer systems, grading and landscape gardening, and any other permanent structures which are an improvement to the property.

(*d*) The cost of restoring the grounds to their former condition after addition and betterment work shall not be charged in the property accounts but shall be charged to the appropriate operating expense account.

(*e*) The cost of additions and betterments to leased structures should be charged to account No. 604, "Improvements to Buildings Not Owned."

(*f*) If any unit of property or equipment, item, or class of property costs $5 or less, or has an average life of less than two years, the carrier may exercise the option of charging the amount to the appropriate repair account under maintenance of fields, structures, and equipment, or to the appropriate real property and equipment account.

Sec. 2. Basis of charges.—The charges to the accounts of this classification shall be based upon the cost of the land, building, structure, unit of equipment, item, or class of property and the improvements. The term "cost" as used in the accounts means the actual cost in money or labor and materials used, the actual cost in money of property acquired, or, if the consideration is other than money, the actual money value of such other consideration at the time of purchase. It also includes transportation charges paid to other companies.

Sec. 3. Definitions.—(*a*) *Ledger value of property* is the value at which the building, structure, unit of equipment, item, or class of property is carried in the property investment account in the general ledger of the carrier. In case the value of any item of property is not shown separately in the carrier's records, the ledger value of that item shall be its proportionate share of the value of the entire group in which the particular property is included.

(*b*) *Construction* includes all processes connected with the acquisition and construction of original units of equipment, buildings, structures, item or class of property.

(*c*) *Fixed improvements* means structures which are fixed as to location, such as airport and field buildings, hangars, airship sheds, storage tanks, pipe lines, etc.

(*d*) *Equipment* means the aircraft and facilities used or useful in the carrying on of airway transportation operations, and may be either fixed as to location or movable, such as airplanes, airships, mooring masts, hangars, communication apparatus, motorized or other vehicles, office furniture, etc.

(*e*) *Additions* are additional facilities, such as additional equipment, land, structures, and other tangible property; additions to facilities, such as extensions of fuel, water, oil, and gas distribution equipment, buildings and other structures; and additional devices applied to facilities, such as safety devices applied to equipment not previously thus equipped. When property such as a section of pipe line, unit of equipment, building, or other structure is retired from service and replaced with property of like purpose, the newly acquired property shall, for the purposes of this classification, be considered an addition, and the cost thereof accounted for accordingly.

(*f*) *Betterments* are improvements of existing facilities through the substitution of superior parts for inferior parts retired, such as the renewing of a tin roof on a building with one of copper; the replacing of parts of engines, instruments, or machinery, etc., the object of which is to make the properties affected more useful or of greater capacity than they were at the time of their installation or acquisition. The cost chargeable to the accounts of this classification is the excess cost of the new parts installed over the cost at current prices of new parts of the kind retired. The remainder of the cost, that is, the removing of the old parts or appurtenances and applying the new, shall be classed as repair and charged to the appropriate operating expense accounts.

(*g*) *Costs* shall be the actual money costs to the carrier. Where a proportion of the funds expended by the carrier has been obtained through donations by States, municipalities, individuals, or others, no deductions on account of such donations shall be made in stating the costs.

(*h*) *Retired property* means property which is sold, abandoned, demolished, or otherwise withdrawn from operation.

(*i*) *Salvage from retired property* means the value of the material recovered from retired property and sold or retained for use.

Sec. 4. Land retired.—When any land, the cost of which is included in account No. 601, "Land," is retired, the ledger value shall be credited to that account. If the land is retained by the carrier, its estimated value shall be charged to balance-sheet account No. 502, "Miscellaneous Physical Property," and the necessary adjustment of the difference, if any, between the record value and the estimated value at the time of its retirement from transportation service shall be made through profit and loss account No. 405, "Miscellaneous Credits to Profit and Loss," or account No. 412, "Miscellaneous Debits to Profit and Loss." If sold, the difference between the ledger value credited to the account "Land" and the amount received for the land shall be adjusted in profit and loss. Land acquired and held in anticipation of future use shall be included in

balance-sheet account No. 502, "Miscellaneous physical property," until such time that same becomes a part of the transportation plant when transfer will be made to real property and equipment account No. 601, "Land."

Sec. 5. Property retired.—(*a*) When a building, other structure, or unit of equipment is retired from service the ledger value shall be credited to the account in which it stands. The amount of this credit shall be concurrently charged as follows: An amount equal to the credit balance in the accrued depreciation account with respect to the property thus retired shall be charged to that account, and the appropriate accounts in operating expenses shall be charged or credited with the difference between the remainder and the salvage or cash proceeds from sale. The accounting for the salvage shall be in accordance with the disposition made of the material recovered. The cost of tearing down or demolishing a building in connection with retirements shall be charged to operating expenses.

(*b*) If the property retired is of minor importance, such as small buildings or other small structures, or units of equipment, and it is replaced in kind for a like purpose without betterment, the cost of the replacement shall be charged to the appropriate maintenance accounts in operating expenses, or to a reserve, if a reserve has been created, and no adjustment made in the real property and equipment accounts.

(*c*) The provisions of this section are applicable in accounting (at the time of retirement) for the cost of property abandoned even though the new property has been actually installed previously to the date of demolishment of the abandoned property.

(*d*) When a building or other structure (retired from service) is retained by the carrier, its estimated value shall be charged to balance-sheet account No. 502, "Miscellaneous Physical Property," and an amount equal to the credit balance in the accrued depreciation account with respect thereto shall be charged and credited in the depreciation accounts, so as to be reflected in account No. 551, "Accrued Depreciation—Miscellaneous Physical Property." The necessary adjustment of the difference, if any, between the ledger value and the estimated value (less depreciation) at the time of its retirement from transportation service shall be made through profit and loss.

(*e*) When a unit of equipment is sold at a price in excess of its original cost, the amount of the profit shall be credited to profit and loss. (See account No. 403, "Profit on Equipment Sold."

(*f*) When the renewals to be made to an important building or other structure or to an item of equipment will constitute the major portion of its value when renewed, the property, when taken out of service, shall be considered as retired and accounted for as above, and for the purposes of this classification the renewed property shall be considered as an addition and the appraised cost thereof shall be included in the accounts of this classification, consideration being given to the second-hand portions remaining therein. In no case shall the charge for the renewed property exceed the cost (at current market prices of labor and material) of new property of equal capacity and equal expectation of life in service, less a suitable allowance on account of second-hand parts remaining therein.

NOTE.—The instructions contained in this section shall not apply to property temporarily out of service. In their annual report to the department carriers may be required to give particulars concerning all property temporarily disused and not credited to the proper real property and equipment account.

(*g*) If so authorized by the department, the carrier may charge to profit and loss any extraordinarily large item representing the portion of the value of any property retired, not provided for by depreciation charges or by insurance, instead of charging operating expenses.

Sec. 6. Buildings and improvements on land not owned.—The cost of the buildings, structures (including their fixtures), and other improvements on land not owned, which are of such nature and use as to be worthless at the expiration of a lease or contract, may be charged to operating expense account No. 180, "Buildings and Appurtenances—Depreciation and Retirements," in monthly installments covering the period of the lease or contract. In the case of other buildings, structures, or improvements to the land the monthly charge to operating expenses shall be computed according to the principles which govern depreciation charges.

Sec. 7. Improvements to buildings not owned.—Expenditures for improvements made by the accounting carrier to buildings or structures not owned shall be included in account No. 604, "Improvements to Buildings Not Owned." When under the terms of the lease or conditions of contract title to such improvements passes to the lessor at the termination of the lease or contract, the cost less any amount to be recovered for unexpired value, shall be considered depreciation and shall be distributed by charges to operating expense account No. 180, "Buildings and Appurtenances—Depreciation and Retirements," during the period between the date the improvements are put into operation and the date of expiration of contract. Concurrently the amount of such charges shall be credited to general balance-sheet account No. 549, "Accrued Depreciation—Buildings."

Sec. 8. Division of property at terminals.—(*a*) At a point which is the terminus of two or more air transportation lines of a carrier, one or more of which is an air mail route, the property and equipment located at such terminal and in common use and the aircraft equipment used interchangeably between such routes shall be apportioned to the several lines affected on an appropriate basis. The factor or basis used in each instance shall be one that, in the opinion and belief of the carrier, is fair and equitable to each route concerned. The property to be so divided includes all aircraft equipment, land, office, or other airport buildings and equipment, hangars and equipment, shop buildings, machinery and equipment, and all other buildings, structures, equipment, facilities, and appliances constituting the tangible physical property in common usage at common terminals or interchanged between two or more lines or routes of a carrier.

(*b*) The carrier shall in its annual report to the department, or at such other time as the department may make request for same, prepare and submit to the department or its duly authorized representative a statement showing in detail the plan which the carrier is using in making the division of aircraft equipment used interchangeably and of the property and equipment at common terminals. Such statement shall show by title or other designation all items of aircraft equipment, land, buildings, structures, equipment, facilities, and appliances which the carrier considers is subject to division, the factor used as the basis for division in each instance, and the percentages used in the division of such property and equipment to each line or route concerned.

(*c*) When the addition or discontinuance of a line or route, or a reorganization or rearrangement of property, facilities, or equipment, substantially changes the basic factor or the percentages used for the separation of such property and equipment, the carrier shall submit, upon request, the new bases upon which the common property and equipment are divided.

(*d*) The above instructions do not refer to "joint facility" operations, the instructions for which are set forth in section 15 of the special instructions for operating expense accounts, page 17.

Sec. 9. Schools and courses of instruction.—When the carrier conducts schools or courses of instruction in connection with its transportation operations the

cost of land, buildings, improvements, and all equipment and appurtenances of whatever kind used in connection with schools and courses of instruction shall be kept separate from the carrier's investment in real property and equipment used for transportation purposes and included in account No. 614, "Other Equipment."

Sec. 10. Miscellaneous operations.—Lands, buildings, and other structures, including fixtures and all materials, supplies, and equipment owned by the carrier and used for the purpose of conducting other operations, such as commercial gasoline and oil stations, repair and service stations, training schools, hotels, restaurants, lunch rooms, aircraft sales agencies, etc., shall not be included in the accounts of this classification when the real property and equipment used are distinct from those used by the carrier in the service of airway transportation service, and the operations are not incident to such service. Such real property and equipment may, under certain conditions, be included in general balance sheet account No. 502. "Miscellaneous Physical Property."

Sec. 11. Interpretation of item lists.—Lists of "Items," "Details," etc., have been given as a part of this classification for the purpose of clearly indicating the application of the accounting rules in specific cases. The lists in every case shall be considered as merely representative and not as excluding from any account analogous items which happen to be omitted from the list appended. On the other hand, the appearance of an item in a list warrants the inclusion of the item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item may appear in more than one list.

TEXT PERTAINING TO REAL PROPERTY AND EQUIPMENT ACCOUNTS

I. LAND

This general account is designed to show the cost of land owned by the carrier and used in its transportation operations and operations incident thereto.

601. LAND.

This account shall include the cost of land acquired by the carrier and used directly in connection with its air transportation operations and the expenses incident to the purchase thereof. (See general notes regarding "Land," p. 91.)

The carriers' records shall be kept in such manner as to show separately the cost of land purchased by it and the estimated values at the time of acquisition of lands donated. (See special instructions, secs. 4 and 8, pp. 93 and 95.)

ITEMS OF EXPENSE

(See special instructions, sec. 11, p. 96)

Abstracts.
Appraisals.
Commissions paid to others.
Cost of examination and registration fees.
Damages to abutting property.
Judgments and decreed costs to clear up and defend titles.
Notarial fees.
Plats.
Recording deeds.
Removal and relocation of buildings and other structures not purchased.
Salaries and expenses of employees, when especially engaged in the selection or purchase of land.
Taxes accrued and assumed at time of purchase.

II. BUILDINGS AND IMPROVEMENTS

The primary accounts in this general account are designed to show the cost of buildings, structures, and other improvements, including fixtures and appurtenances, owned by the accounting carrier and used in its transportation operations and operations incident thereto, and the cost of improvements to and permanent fixtures in similarly used buildings or structures not owned, when the title of the carrier to such improvements and fixtures may reasonably be expected to be good over a term of years.

602. BUILDINGS AND IMPROVEMENTS ON LAND OWNED.

This account shall include the cost of buildings, structures, and other improvements owned by the carrier and used in its transportation operations situated on land owned, and the cost of their fixtures (including those for heating and lighting) and appurtenances when considered a part of the building or improvement; also the cost of establishing grounds, including walks, runways, and driveways to such buildings and structures, architects' fees, and commissions paid to real-estate brokers. (See general notes regarding "Buildings and Improvements," p. 92.)

For the purposes of this classification mooring masts, complete with gear and equipment necessary for operation, shall be considered as adjuncts to or a part

of airship sheds or other similar buildings located at field. (See special instructions, secs. 5 and 8, pp. 94 and 95.)

TYPES OF BUILDINGS

(See special instructions, sec. 11, p. 96)

Administration buildings.	Mooring masts.
Airship sheds and mooring masts.	Operations buildings.
Airway communications buildings.	Shop buildings.
Buildings for housing employees.	Special-type buildings.
Garage buildings.	Warehouse buildings.
Hangars.	

603. BUILDINGS AND IMPROVEMENTS ON LAND NOT OWNED.

This account shall include the cost of buildings, structures, and improvements owned by the carrier, used in its transportation operations, and situated on land not owned, and the cost of their fixtures (including those for heating and lighting) and appurtenances when considered a part of the building or improvement; also cost of establishing grounds, including walks, runways, and driveways, to such buildings and structures, architects' fees, and commissions paid to real-estate brokers. (See general notes regarding "Buildings and Improvements, p. 92.)

For the purposes of this classification mooring masts, complete with gear and equipment necessary for operation, shall be considered as adjuncts to or a part of airship sheds or other similar buildings located at fields. (See special instructions, secs. 2 and 6, pp. 92 and 95.)

TYPES OF BUILDINGS AND STRUCTURES

(See special instructions, sec. 11, p. 96)

Administration buildings.	Mooring masts.
Airship sheds and mooring masts.	Operations buildings.
Airway communications buildings.	Shop buildings.
Buildings for housing employees.	Special-type buildings.
Garage buildings.	Storage buildings.
Hangars.	

604. IMPROVEMENTS TO BUILDINGS NOT OWNED.

This account shall include the cost of improvements to and permanent fixtures in buildings and other structures not owned but used by the carrier in its operations, when the improvements or fixtures will become the property of the owners of such buildings upon the expiration of the lease or contract, the term of which extends through more than one year. At the expiration of lease or contract proper credits shall be made to this account for all property affected by such lease or contract and concurrent charges made to balance-sheet account No. 549, "Accrued Depreciation—Buildings." (See general notes regarding "Buildings and Improvements," p. 92.)

For the purposes of this classification, mooring masts, complete with gear and equipment necessary for operation, shall be considered as adjuncts to or a part of airship sheds or other similar buildings located at fields. (See special instructions, secs. 2 and 7, pp. 92 and 95.)

III. EQUIPMENT

The several primary accounts of this general account are designed to show the cost of the several classes of equipment owned by the accounting carrier and used in transportation operations and operations incident thereto.

To the appropriate primary accounts under this general account shall be charged the cost of all equipment, such as aircraft, engines, propellers, aircraft instruments, motorized vehicles, office furniture and equipment, communication equipment, shop equipment, etc., and the necessary appurtenances and fittings, including the cost of inspection, setting up, installing, or testing out; transportation charges and customs duties when paid; also the costs of additions, such as installation of heating and lighting equipment in buildings not so equipped, installation of lights on aircraft, etc.; also the cost of betterments, such as improved appliances, parts or appurtenances, over the cost as new, at current prices, of appliances, parts, or appurtenances removed. The cost of labor and supplies consumed in removing the old and applying the improved shall be charged to operating expenses.

NOTE.—Particular attention is invited to special instructions, sections 5 and 8, pages 94 and 95.

605. AIRCRAFT.

This account shall include the cost of aircraft of all types and classes used in transportation service, purchased or built by the carrier, and of all appurtenances, furniture, and fixtures, including aircraft instruments, propellers, and parts necessary to equip for service, with the exception of aircraft engines and assembly, included in account No. 606, and aircraft communication equipment included in account No. 607.

606. ENGINES.

This account shall include the cost of aircraft engines of all types and classes used in transportation service, including all appurtenances, parts, and fixtures which are a part of such aircraft engines.

607. AIRCRAFT COMMUNICATION EQUIPMENT.

This account shall include the cost installed of all aircraft communication equipment used in transportation service, including radio, radiophone, telephone, telegraph, teletype, and other communication apparatus, together with the necessary fixtures and appurtenances which are a part of such aircraft communication equipment.

608. AIRWAY COMMUNICATION EQUIPMENT.

This account shall include the cost installed of all airway communication equipment used in transportation service, including radio, radiophone, telephone, telegraph, teletype, and other communication apparatus, together with the necessary fittings and appurtenances, not considered a part of the buildings, including switchboards, aerials, poles, masts, and such other airway communication equipment that may be located adjacent to and between stations.

609. HANGAR EQUIPMENT.

This account shall include the cost installed of all hangar and airship-shed equipment and fittings not considered a part of the building. It shall also include the cost installed of all necessary gear, equipment, and appurtenances pertaining to mooring masts for airships and not included in accounts Nos. 602, 603, or 604.

For the purposes of this classification, mooring masts complete with gear and equipment necessary for operation shall be considered as adjuncts to or a part of airship sheds or other similar buildings located at fields. (See operating expense account No. 165 for partial list of equipment.)

610. SHOP EQUIPMENT.

This account shall include the cost installed of all equipment of whatever kind (not considered a part of the building) for use in test, experimental, overhaul, and repair shops owned by the carrier and used in transportation

operations. It shall include the cost of aircraft, engine, propeller, aircraft instrument, communication, motor vehicle and other test, experimental, repair, and overhaul shop machinery, equipment, apparatus, and appurtenances. (See operating expense account No. 168 for partial list of equipment.)

611. FUEL, WATER, OIL, AND GAS, STORAGE AND DISTRIBUTION EQUIPMENT.

This account shall include the cost installed, including special foundations, of all motor fuel, water, oil, and gas storage tanks and pipe lines, together with the necessary equipment, fittings, special tools, and auxiliary tanks and pumps; gas plants and gas repurification plants and equipment; the cost of oil redistilling equipment; the cost of fences, fire extinguishers, and other protective equipment considered a part of the fuel and oil storage and distribution equipment.

NOTE A.—Units of water, gas, motor fuel, and motor oil tanks and pumps installed in hangars, sheds, garages, shops, or at mooring masts, when not a part of a central system or not separable from other equipment, may be included as a part of such buildings or equipment instead of this account.

NOTE B.—The cost of sheds or other covering when erected as a component part of large storage tanks shall be included in this account. When fuel and oil storage and distribution tanks or equipment are situated in buildings or other inclosed structures the cost of such buildings or structures is includable in accounts 602, 603, and 604.

612. MOTORIZED VEHICLES.

This account shall include the cost of all motorized vehicles used in transportation service, including passenger-carrying automobiles, motor trucks, motor cycles, and special-built motor vehicles and trailers, including all appurtenances necessary to equip them for service.

The details of this account shall be so kept that the cost of each class of motor vehicles named below can be determined:

1. Passenger type automobiles.
2. Motor trucks and other special-built motor vehicles.

613. FURNITURE AND EQUIPMENT.

This account shall include the cost of all movable furniture and fittings for general offices, stations, traffic offices, waiting rooms, etc., such as desks, tables, chairs, carpets, cases, typewriters, adding machines and other office devices; stoves, water coolers, portable gas and electric fixtures, and other furniture and fixtures (except fixtures considered a part of the building). This account shall also include the excess cost of furniture and fittings over the original cost of such property removed and replaced.

614. OTHER EQUIPMENT.

This account shall include the cost installed of all equipment at airports and on fields not considered a part of buildings or structures located thereon and not included in other equipment property accounts, such as parachutes, pontoons, field lighting equipment, fences, gates, and other protective equipment or apparatus erected on fields and special equipment not otherwise provided for.

The investment in land, buildings, and improvements, and all equipment, materials, and supplies of whatever kind used in connection with schools and for courses of instruction, when same are conducted in connection with the carrier's transportation operations, shall be included in this account. (See special instructions, secs. 13 and 14, operating expense accounts, p. 16.)

The details of this account shall be so kept as to show separately the charges to this account for the following: (1) Schools and courses of instruction; (2) Other.

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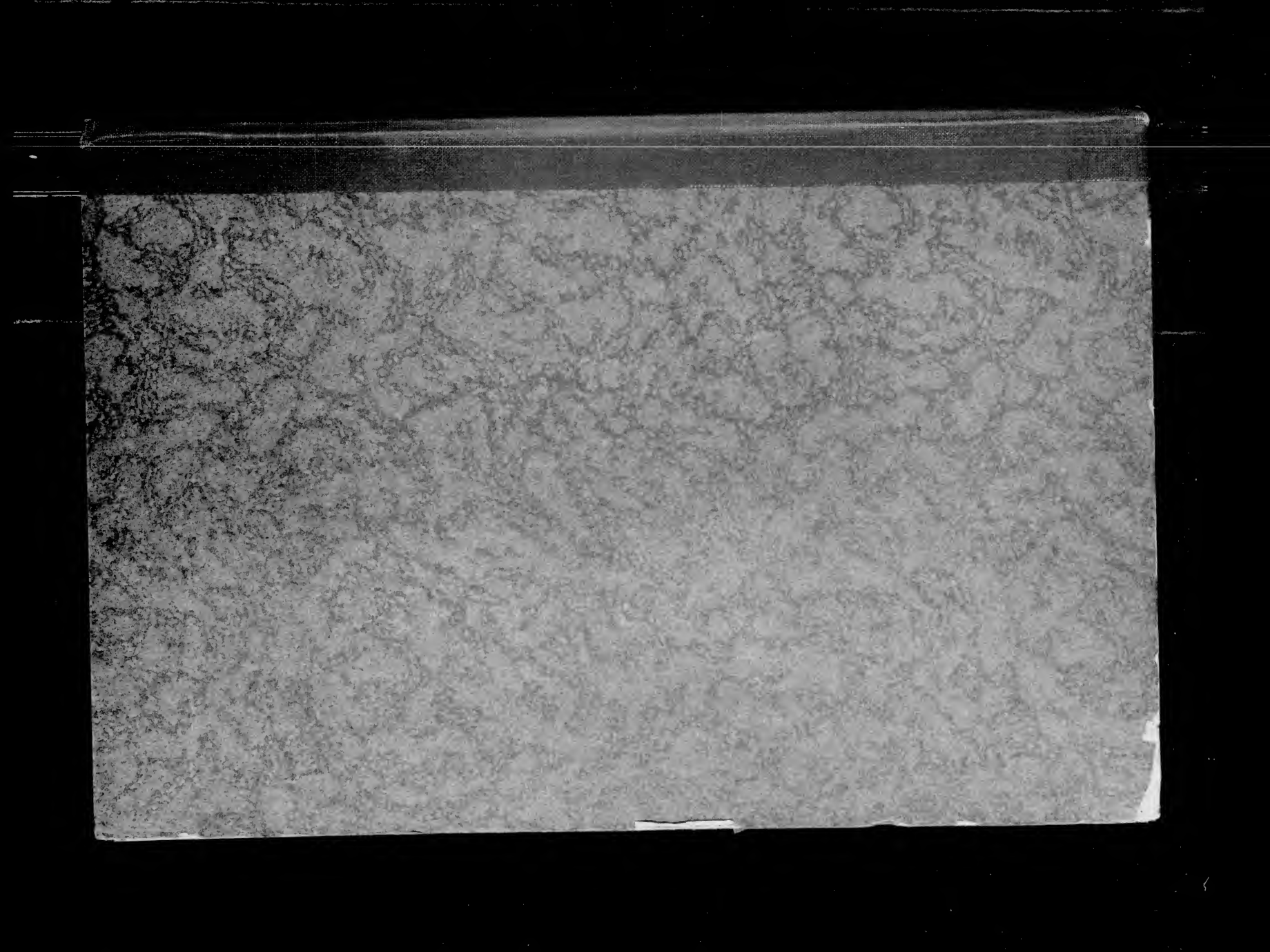

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